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Nos. 81-2329, 81-2330

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

UNION TEXAS PETROLEUM, a Division of Allied Chemical Corporation, *et al.*,
Petitioners,

v.

CORPORATION COMMISSION OF OKLAHOMA and HARVEY W. DIERKSEN, *et al.*,
Respondents.

On Petition for a Writ of Certiorari to the Supreme Court of Oklahoma

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BRIEF IN OPPOSITION OF RESPONDENTS HARVEY W. DIERKSEN, *et al.*

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QUESTIONS PRESENTED

The Oklahoma Corporation Commission held (i) that a change in knowledge of the draining ability of the gas wells in the Mississippian Formation justified a change in gas well spacing from one well per 640 acres to one well per 160 acres (petitioners do not challenge this finding); and (ii) that the evidence showed the better way to develop and produce the oil and gas from and encourage the drilling of the additional wells in the Mississippian Formation was to reduce the size of the one-well drilling units from 640 to 160 acres, rather than increase the number of permissible wells from one to four within the existing 640-acre units. The Oklahoma Supreme Court concluded that these findings were supported by substantial evidence. The questions are:

Whether this Court should review a judgment of a state's highest court based on adequate and independent state grounds which obviate the need to consider any federal question.

Whether a factual conclusion of a state administrative agency, affirmed by the state's highest court as supported by substantial evidence, raises any important public issue that merits review by this Court.

Whether it is premature for this Court to review a decision which petitioners claim *may* unconstitutionally impair their leases, where that precise question is the subject of pending quiet title actions recently filed by petitioners.

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On Petition for a Writ of Certiorari to the Supreme Court of Oklahoma

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BRIEF IN OPPOSITION OF RESPONDENTS HARVEY W. DIERKSEN, *et al.*

Respondents Harvey W. Dierksen and 110 other mineral owners [1] of land underlain by the Mississippian Formation, a combination reservoir containing both oil and gas, in Major and Garfield Counties, Oklahoma, respectfully urge this Court to deny the petitions for writs of certiorari by which Union Texas Petroleum and other oil and gas lessees seek review of the judgment of the Supreme Court of Oklahoma entered in this proceeding.

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[1] The names of all additional mineral owner respondents are listed on pages 107a through 109a of Petitioners' Joint Appendix (hereinafter "Pet. Jt. Appendix at ——").

STATE STATUTE AND CONSTITUTION INVOLVED

The principal statute involved in this proceeding, 52 Okla. Stat. § 87.1(d) (1981), is set out in petitioners' Joint Appendix at 93a-94a.

Okla. Constitution art. IX, § 20, provides (in pertinent part):

> "The Supreme Court's review of appealable orders of the Corporation Commission shall be judicial only, and in all appeals involving an asserted violation of any right of the parties under the Constitution of the United States or the Constitution of the State of Oklahoma, the Court shall exercise its own independent judgment as to both the law and the facts. In all other appeals from orders of the Corporation Commission the review by the Supreme Court shall not extend further than to determine whether the Commission has regularly pursued its authority, and whether the findings and conclusions of the Commission are sustained by the law and substantial evidence. Upon review, the Supreme Court shall enter judgment, either affirming or reversing the order of the Commission appealed from."

STATEMENT OF THE CASE

We, the 111 Dierksen respondents, are individual owners of parcels of land underlain by the Mississippian Formation, and have leased our mineral interests to petitioners and other operators for oil and gas exploration and production.[2] Since the early 1960's, and until this

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[2] Because we, as owners, receive royalties on oil and gas extracted from wells located on a drilling unit in which our parcels are included, we benefit when the maximum amount of hydrocarbons is produced from such unit and is sold at the maximum price. Both of these factors are largely in the control of the lessee. Ideally, a lessee who controls development of our land will share our interest in maximizing immediate profits. This is not always the case, however. Often a lessee may have an interest in deferring production in order to hold the minerals in reserve inventory (against which it

case arose, our leased parcels have been subject to 640-acre unit spacing, pursuant to the orders of the Oklahoma Corporation Commission. In other words, the Commission had originally found that in the Mississippian Formation, one well was adequate to effectively and economically drain the oil and gas underlying 640 acres (*i.e.*, one square mile).[3]

After entry of the initial spacing orders in 1962 (Nos. 49133 and 50337), Commission administration of the field was not dormant. In fact, numerous modifications of its primary orders were made during the ensuing 16 years. These modifications, made to promote proper unit drainage, included enlarging the spacing of some units from 80 acres to 640 acres; reducing the spacing of some units from 640 acres to 160 acres; and granting authority to increase drilling density in some units.[4] Experience with increased drilling density, however, has not been

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can borrow money). Similarly, while a lessee would ordinarily share our desire to get the highest price possible for extracted oil and gas, when the lessee owns the next downstream processing facility (as petitioner Union Texas Petroleum does), its incentive to sell the hydrocarbons to itself at the *lowest* price possible minimizes our royalties. Other conflicts of interest between landowners and lessees can exist.

[3] The typical land ownership pattern here is 160-acre parcels, four of which comprise a standard 640-acre drilling unit. Since each parcel owner is free to select a different lessee, several lessees may have an interest in the unit. The several lessees must agree on such things as who will drill the one well, and how to apportion drilling costs. Oklahoma law authorizes the Corporation Commission to facilitate these decisions if the parties cannot agree.

[4] Increased drilling density authorizes the unit lessees to drill more wells in the unit. Reduction of spacing means the size of the drilling units is decreased. *See* Pet. Jt. Appendix at 49a-64a for the Commission's recitation of the extensive history of Orders 49133 and 50337, and modifications thereto, the two series of orders affecting the subject area.

encouraging; as the Commission found in its review of the extensive history of applicable orders, prior grants of authority to increase drilling density had not been diligently pursued or fully utilized.[5]

In the 1970's, we became dissatisfied with the 640-acre spacing orders because knowledge of the geologic, economic and reservoir conditions in the Mississippian Formation had become available which made it clear that one well was not capable of draining the oil or gas in the existing sized unit. We recognized that more wells should be drilled. As a consequence, we applied to the Commission to reduce the spacing of drilling units from 640 to 160 acres.

Under Oklahoma law, the Commission may modify existing spacing orders, after hearing, if geologic, economic or reservoir conditions have changed or knowledge of those conditions has changed, and if modification will prevent waste or will protect correlative rights of persons with interests in a common source of supply.[6] As petitioners admit, the governing statute, 52 Okla. Stat. § 87.1(d), expressly provides that modification may take the form of either increased density or reduced spacing. We preferred reduced spacing rather than increased density because, as mentioned, experience shows the former gives a better chance of new wells being drilled than does the latter.[7]

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[5] *Id.* at 50a-51a (Commission Finding No. 3(a)3.).

[6] "Correlative rights" under Oklahoma law refer to the interrelated rights that all lessees and mineral owners have in a common source of supply. "Common source of supply" means a single formation (pool) containing oil or gas or both, which is separated from any other oil and gas formations located above or below it.

[7] Increased density does not *require* that new wells be drilled; it merely provides authorization to drill which the lessee may or may not elect to use. On the other hand, when spacing is reduced, a well must be drilled on each new unit if each lease is to be perpetuated beyond its primary term. Although petitioners claim that increased

Petitioners (and other lessees holding leases to our minerals) opposed our application and urged maintenance of the status quo—that is, 640-acre spacing. Petitioners disputed our experts' testimony that more wells were needed,[8] but if our experts were correct, petitioners said, then the proper remedy was increased density of wells, not reduction of spacing.[9] Increased density is preferable to petitioners because it would assure them of holding all unit leases indefinitely so long as production from the

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density provides the same incentive to drill as reduced spacing, *see* Union Texas Petroleum Pet., at 18, that is absolutely not the case. For example, lessees often have an incentive to hold undrilled leases in reserve (and use their limited cash for other needs). Petitioners could have applied for permission to intensify drilling on all of their 640-acre units (and did, in fact, seek and obtain such permission for some units), but did not indicate motivation to seek authority to increase well density throughout the Formation until we commenced efforts to have the spacing reduced. We conclude from this that petitioners were content to keep most of the undrilled parcels in their reserve inventories. The court below noted that "for extended periods of time, Commission orders allowing additional wells on the basis of inability to recover known reserves have not been carried out." Pet. Jt. Appendix, at 24a. Another factor affecting incentive to drill is that increased density does not change the unit's allowable production (the amount of oil or gas per month the state allows to be produced from the unit), whereas reduced spacing carries with it a separate allowable for each new unit. Thus, four 160-acre units each with one well may be authorized to produce four times as much as a 640-acre unit with four wells on it.

[8] Petitioners no longer dispute this. *See* Union Texas Petroleum Petition, at 6.

[9] Applications to increase density on *some* of the units under scrutiny by the Commission had been filed. Such applications had *not* been filed for *all* units, however. To the extent footnote 4 on page 19 of the Union Texas Petroleum petition implies that petitioners had filed applications to increase density to four wells per 640-acre section on "all lands covered by the respacing application", such implication is incorrect. This alternative—increased density for all units—was advanced by petitioners in argument to the Commission only after the reduced spacing application was under consideration.

existing wells continued, whether or not they drilled any new wells.[10]

The Commission held a full oral evidentiary hearing during which it received exhibits and testimony regarding the current state of geologic, economic and reservoir knowledge of the Formation from expert witnesses offered by both petitioners and ourselves.[11] On the basis of this evidence, the Commission reached the following conclusions:

1. Both we and petitioners submitted comparable evidence with respect to (i) knowledge of geologic, economic and reservoir conditions in the Formation at the time 640-acre spacing was instituted, and (ii) existing knowledge of conditions of the Formation (Pet. Jt. Appendix, at 81a);

2. Although petitioners had, in previous applications, sought—and in all cases obtained—authority to increase well density on some units on the basis of changed conditions or a change in knowledge of conditions, they nonetheless argued before the Commission in the instant case that there has been no change in knowledge of conditions regarding 640-acre spacing (*id.*);

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[10] A typical oil and gas lease is made for a primary term (a set number of years) and endures so long thereafter as oil or gas is produced in paying quantities. If more than one leased parcel is included in a spacing unit, the production from a well on one parcel is attributed to all parcels in that unit. For example, if parcels A, B, C and D are included within a 640-acre unit and a well located on parcel A produces hydrocarbons, the leases to all four parcels continue in force as long as the one well is productive. If the production on parcel A ceases, and the primary terms of the leases to B, C and D have expired, the lease to each of the four parcels may expire, depending upon the lease provisions and the lessees' actions with respect thereto.

[11] The hearing lasted for seven trial days and involved testimony from four expert witnesses supporting the application and ten opposing it.

3. Petitioners urged that if additional wells were required, increased well density was preferable to reduced spacing (*id.*);

4. The Commission rejected increased density; it held that its interest in and duty and responsibility to prevent waste and protect correlative rights

> "require that the Commission not act in derogation of its interest, duty and responsibility by . . . an indirect delegation of its duty and responsibility [such as that urged by petitioners] to any owner whose subjective interests may be in conflict with the ends of waste prevention or correlative rights protection" (*id.* at 81a-82a);

5. Substantial evidence revealed that there was a change in conditions and a change in knowledge of conditions of the Formation in that "it is now known . . . that the Mississippian is far less conducive to being effectively and efficiently drained by one (1) well to each 640-acre unit than was supposed and contemplated" when that spacing was ordered in 1962 (*id.* at 82a);

6. "[E]conomically recoverable oil, gas and condensate are not being and will not be recovered" if 640-acre units are continued (*id.* at 82a-83a);

7. One well per 160-acre unit (*i.e.*, reduced spacing) is required to effectively and efficiently drain the reservoir, and such reduced spacing "is the proper relief . . . based on the substantial evidence herein" (*id.* at 83a, 85a).

On appeal to the Oklahoma Supreme Court, the Commission's order reducing spacing was affirmed by written opinion upon that court's application of the substantial evidence rule as required by Oklahoma law. Motions for rehearing were denied.

Petitioners attribute great significance to—and cast in a malevolent light—the fact that we have executed top leases (leases which only become effective if existing

leases expire) to persons who are not parties to these proceedings. Petitioners assert that the application for reduced spacing was motivated primarily, if not solely, by our desire to terminate petitioners' leases and to effect the top leases.

To the extent that petitioners are suggesting that the execution of a top lease is an inequitable or untoward action any fruits of which are necessarily tainted, they are in error for several reasons. First, we are mineral owners whose royalty earnings are totally dependent upon the amount of hydrocarbons our lessees reduce to production. If these minerals are economically recoverable but are not produced by the lessees (which is to say, are wasted), our property rights are thereby damaged or destroyed. Since it is in our best interests to capture the economically recoverable hydrocarbons, it is likewise in our best interests to seek a lessee with the greatest technical ability to recognize productive potential coupled with an incentive to maximize recovery of this potential.

Second, execution of top leases is not unusual.[12] They are most often proposed by a prospective top lessee who foresees the possible termination of the current lease through normal expiration, through exhaustion of the pool currently being tapped where an untapped pool may also underlie the parcel, etc. Of course, the value of the top lease depends upon the land's remaining productivity potential.

Third, and most significantly, whether or not top leases have been executed is irrelevant to this proceeding. Their existence has no effect on the geologic, economic or reservoir conditions of the Formation, nor on changes in the knowledge of those conditions, nor on the proper remedy for prevention of waste and the protection of correlative rights of owners—the only questions that Oklahoma law gives the Commission authority to consider.

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[12] One of the petitioners here, Atlantic Richfield Company, has a top lease in this area.

Neither the top leases nor the leases held by petitioners were in evidence before the Commission or before the Oklahoma Supreme Court on appeal, nor are they part of the record before this Court. Their absence is proper because "the Commission has no authority to consider leasing matters and such evidence has no place in a spacing application." [13] Since it is the Commission's order and the Oklahoma Supreme Court's affirmance thereof that form the subject of the petitions, matters outside the Commission's jurisdiction and not part of the record may not be considered here.

It is curious that petitioners complain about what they perceive as adverse effects of the reduced spacing order on the mineral owners of parcels with wells—the owners of the "A" parcels in the example in note 10, *supra*. Petitioners argue that the royalties from production on the A parcels have been shared with the mineral owners of the B, C and D parcels within a 640-acre unit, as if the A owners will be disserved by the Commission's order. The Court should know that 84 of us are owners of A parcels with wells, and we *support* the Commission's order; we disavow petitioners' complaints supposedly made on our behalf.[14]

REASONS FOR DENYING THE PETITIONS

Petitioners have advanced no good reason for this Court to assert certiorari jurisdiction to review this case. They do not challenge the constitutionality of the state statute under which the Commission acted. They challenge only its application as being in excess of the state's police power to regulate oil and gas production. However, this Court has held that a state's power to regulate oil and gas production is very broad; here, the Commission's choice

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[13] Pet. Jt. Appendix at 51a-52a.

[14] If the well on the A parcel is continuing to produce, the A owner may be happy to earn his future royalty on 100% of the production, rather than only on 25%, as in the past.

of statutory remedy, as affirmed by the Oklahoma Supreme Court, was well within that power.

Moreover, petitioners have not demonstrated that the Commission's order has the effect of unconstitutionally depriving them of any property; nor *can* they so demonstrate, because that issue was not touched on below, and is the subject of new litigation filed by petitioners in the state courts.

1. The Judgment of the Oklahoma Supreme Court Is Based on Adequate State Grounds.

This Court has said it will not review state court judgments based upon adequate state grounds. *See, e.g., Young v. Ragen*, 337 U.S. 235 (1949). This is such a case.

The Oklahoma Supreme Court did not reach and did not need to reach the federal constitutional questions petitioners claim to have asserted in that forum. The Oklahoma court's opinion contains no discussion of or ruling on any federal constitutional issues; its judgment rested on well-settled interpretation of state statutory language.[15]

The Oklahoma Constitution provides two classes of review for appeals from Corporation Commission orders: If the appeal involves an asserted violation of the federal or state constitution, the Oklahoma Supreme Court must undertake an independent review of the law and the facts. In all other appeals, the court's review is limited to a determination whether the Commission regularly pursued its authority and whether the order is supported by the law and substantial evidence. Okla. Const. art. IX, § 20, quoted at page 2, *supra*.

The Oklahoma court declined to apply the "independent" review standard. It held that any allegations of

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[15] We might add that our search of the Corporation Commission record revealed no indication that petitioners raised their federal constitutional questions before the Commission.

constitutional violations that are asserted only through an appellant's challenge that a Commission order is not supported by substantial evidence is insufficient to invoke such independent review. Pet. Jt. Appendix, at 22a. *Accord, Cameron v. Corporation Commission*, 414 P.2d 266, 269 (Okla. 1966). Although it did not so state expressly, the court presumably deemed petitioners' constitutional claims to be of that class; as a consequence, the court employed the substantial evidence review standard applicable to "all other appeals"—those not involving an asserted violation of a constitutional right. This is obviously a state ground, not a federal one. Nor, indeed, do petitioners challenge here the review standard followed by the Oklahoma court.

Appellants below challenged Order No. 148243 on grounds (i) that there was no evidence of a substantial change in conditions or change in knowledge of conditions of the Mississippian Formation to support a modification order,[16] and (ii) that there was insufficient evidence to sustain the Commission's choice of remedy. The Oklahoma court rejected both contentions. Petitioners no longer contest the finding that one well will not drain a 640-acre unit; they challenge here only the remedy selected by the Commission: reduced spacing as opposed to increased well density on a unit-by-unit basis. This challenge comes in the form of an alleged lack of substantial evidentiary support.[17]

When fashioning a remedy to prevent waste or protect correlative rights in a common source of supply subject to an existing spacing order after a change in conditions or change in knowledge of conditions has been demonstrated, Oklahoma law authorizes the Corporation Com-

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[16] The Corporation Commission has no authority to modify an existing spacing order in the absence of a substantial change in conditions or substantial change in knowledge of conditions in the subject area. *Phillips Petroleum Co. v. Corporation Commission*, 482 P.2d 607, 609-10 (Okla. 1971).

[17] Union Texas Petroleum Petition, at 10.

mission either to increase well density or to decrease the size of the spacing units. 52 Okla. Stat. § 87.1(d) (1981). The Oklahoma Supreme Court has upheld the Commission's authority under this statute. *See, e.g., Spaeth v. Corporation Commission*, 597 P.2d 320 (Okla. 1979); *Phillips Petroleum Co. v. Corporation Commission*, 482 P.2d 607 (Okla. 1971).

In order to determine whether the Commission's choice of remedy was supported by substantial evidence, the court was bound to consider the evidence "to determine whether it implies a quality of proof inducing a conviction that the evidence furnished a substantial basis of facts from which the issue could be reasonably resolved". Pet. Jt. Appendix, at 23a. The court is not at liberty to substitute its judgment for that of the Commission. *Id. See also, Spaeth v. Corporation Commission, supra*, at 322.

With respect to petitioners' argument that there was no substantial evidence to support the choice of reduced spacing over increased density, the court stated:

> "Such an allegation of error is insufficient to disturb the Commission's order on the basis of statutory authority and the evidence disclosed in the record. Factually, the record contains indicia that for extended periods of time, Commission orders allowing additional wells on the basis of inability to recover known reserves have not been carried out." Pet. Jt. Appendix, at 24a.

The court consequently held:

> "The Commission's conclusion that past density applications by owners in the unit have not uniformly developed the common source, and have not been carried out with dispatch, negates the allegation that both statutory remedies are equally suited to the facts, and substantial evidence supports the choice of alternatives made by the Commission." Pet. Jt. Appendix, at 25a.

The Oklahoma Supreme Court properly applied Oklahoma law in reaching its judgment, and that state law was an adequate basis for full resolution of the issues. Where nonfederal grounds are adequate to sustain a state court's judgment, this Court has said it will not assert jurisdiction to review that judgment. *Young v. Ragen*, 337 U.S. 235, 238 (1949); *Adams v. Russell*, 229 U.S. 353, 358 (1913).

Petitioners do not challenge the constitutionality of the state statute upon which the Oklahoma court's judgment was based, nor do they argue that the statute was an inadequate independent ground to support that judgment. Rather, as stated above, petitioners attack the underlying order by arguing that the Commission's election of a valid remedy made available by the Oklahoma legislature is not supported by substantial evidence.

This Court has emphasized that it "do[es] not grant a certiorari to review evidence and discuss specific facts." *United States v. Johnston*, 268 U.S. 220, 227 (1925). Nonetheless, this is exactly what petitioners ask this Court to do.

When the Commission selected its remedy, it was faced with petitioners' express position that additional wells were not necessary to properly develop the field; this position was confirmed by prior failure to diligently and fully utilize authority granted in late 1963 for such development. The Commission cannot order any person to drill a well. It merely has the authority to *permit* drilling where necessary for oil and gas conservation, and to select the method which provides the greater incentive for achievement of that objective.[18] Thus, petitioners' plea

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[18] With regard to the question of incentive to drill, petitioners assert: "[I]f the Commission's concern was that a lessee would have no incentive to drill additional wells, Oklahoma law *requires* a lessee to drill such wells as may be necessary for full development, or

that both remedies are "manifestly the same" [19] ignores reality. The Commission concluded that it would be improper to delegate its responsibility for waste prevention and correlative rights protection to persons whose subjective interests "may be in conflict with [those] ends." [20]

It is this evidence that petitioners ask this Court to re-evaluate and find insubstantial and thereby substitute petitioners' choice of remedy for the Commission's choice of remedy. The Oklahoma Supreme Court, whose job it is to determine whether Commission findings are supported by substantial evidence, Okla. Const. art. IX, § 20, affirmed the order. This Court has declared that it "will intervene only in what ought to be the rare instance when the [substantial evidence] standard appears to have been misapprehended or grossly misapplied." *Mobil Oil Corp. v. Federal Power Commission*, 417 U.S. 283, 310 (1974), *quoting Universal Camera Corp. v. NLRB*, 340 U.S. 474, 491 (1951). This case would not seem to be that "rare instance."

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face cancellation of his lease. *Vincent v. Tideway Oil Programs, Inc.*, 620 P.2d 910 (Okla. [Ct. App.] 1980)." Union Texas Petroleum Petition, at 19 (emphasis supplied). As a review of the cited case demonstrates, this is not a wholly accurate statement. No Oklahoma statute *requires* a lessee to drill a well. Rather, Oklahoma, like all states, permits a party to a contract to sue for breach thereof. An Oklahoma mineral owner/lessor has access to the courts of that state to sue his lessee for breach of any lease covenant to develop the land. The lessor bears the burden of demonstrating that his lessee failed to meet the "prudent operator test" and must prove that he (the lessor) made timely demand for development. *Vincent*, *supra*, 915-16. Of course, win or lose, the lessor bears the cost and delay of his lawsuit. Even if the lessee wins, he normally is *then* given a chance to drill before the lease is cancelled. *See, e.g., Ferguson v. Gulf Oil Corp.*, 137 P.2d 940 (Okla. 1943). Only in egregious cases is the fear of being sued an effective incentive to a lessee to drill when he would otherwise prefer not to do so.

[19] Union Texas Petroleum Petition, at 18.

[20] Pet. Jt. Appendix at 82a.

2. The Petitions Do Not Raise Any Important Public Issue That Merits Review by This Court.

As Rule 17.1 states, certiorari will be granted "only when there are important and special reasons therefor." In this regard, "important" relates to issues that are important to the *public* as distinguished from the parties. *Layne & Bowler Corp. v. Western Well Works, Inc.*, 261 U.S. 387, 393 (1923). Petitioners here have demonstrated no such issue of an important public nature that demands this Court's involvement. Rather, this is simply a case presented by a group of petitioners who are attempting to overturn an action with which they are displeased but which has no overriding significance except to the parties.

Petitioners lamely suggest that this Court should grant the requested review "for the guidance of state administrative agencies in discharging their police power responsibilities." [21] Surely this plea could be made by any litigant disappointed by any decision of any state agency. It is, however, hardly a sufficient reason for this Court to hear a cause where, as here, petitioners pose no new or significant federal question nor demonstrate that the administrative agency action, as affirmed by Oklahoma's highest court, conflicts with the decisions of this Court.

The police power at issue here is Oklahoma's regulation of oil and gas production. It is well-settled law, through pronouncements of this Court, that such regulation is a valid exercise of a state's police power. *See, e.g., Cities Service Gas Co. v. Peerless Oil & Gas Co.*, 340 U.S. 179 (1950); *Champlin Refining Co. v. Corporation Commission*, 286 U.S. 210 (1932). In Oklahoma, as in other jurisdictions which follow the rule of capture, neither land owners nor their lessees have absolute title to oil and gas below the surface; the right to reduce these

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[21] Union Texas Petroleum Petition, at 12. *See also* Harper Oil Co. Petition, at 8.

hydrocarbons to possession through drilling is continually subject to the power of the state to take necessary steps to prevent waste and to protect correlative rights of all parties with interests in a common source of supply. *Champlin Refining Co. v. Corporation Commission*, *supra*, at 233-34; *Patterson v. Stanolind Oil & Gas Co.*, 77 P.2d 83, 89 (Okla. 1938), *appeal dismissed for want of jurisdiction*, 305 U.S. 376 (1939).

It was for those precise objectives that Oklahoma's regulatory power was exercised by the Corporation Commission when it entered the reduced spacing order:

> "[T]he Commission finds that it is necessary, under the evidence herein and for the purposes of the prevention of waste and the protection of correlative rights, that the Commission, authorize, provide for and establish the 160-acre drilling and spacing units requested by Applicants to the ends that a greater ultimate recovery of oil, gas, and condensate be had from the Mississippian, waste be prevented and the correlative rights of the owners of oil and gas interests therein be, to a fuller extent, beneficially enjoyed and protected." Pet. Jt. Appendix, at 85a.

Petitioners have failed to demonstrate why this case presents any novel or important federal constitutional question not already addressed in prior Supreme Court decisions concerning state oil and gas regulatory power. Nor have they asserted that Order No. 148243 conflicts with any pronouncement of this Court in those prior cases. Indeed, petitioners totally ignore the existence of all such prior decisions (which date back over eighty years; *see Ohio Oil Co. v. Indiana*, 177 U.S. 190 (1900)), including those involving federal constitutional challenges of Oklahoma Corporation Commission orders on precisely the same grounds that petitioners assert here: deprivation of property in violation of the Due Process Clause of the Fourteenth Amendment and impairment of contracts in violation of the Contract Clause. *See Palmer Oil Corp. v.*

Amerada Petroleum Corp., 343 U.S. 390 (1952); *Cities Service Gas Co. v. Peerless Oil & Gas Co.*, 340 U.S. 179 (1950); *Patterson v. Stanolind Oil and Gas Co.*, 305 U.S. 376 (1939); *Champlin Refining Co. v. Corporation Commission*, 286 U.S. 210 (1932).[22]

Instead, petitioners direct the Court's attention to cases wherein Fourteenth Amendment limitations of a state's police power were analyzed in a variety of other contexts: landmarks preservation law; sand and gravel excavation ordinance; fishing regulation; city zoning ordinance; and coal mining regulation.[23] Even when the Corporation Commission's order is tested under the analysis constructed by petitioner Union Texas Petroleum from these cases and this Court's decision in *Kaiser Aetna v. United States*, 444 U.S. 164 (1979) (examination of Congress's regulatory authority under the Commerce Clause), no constitutional infirmities are revealed.

The "economic impact on claimant" and "loss claimants will suffer" elements of petitioners' analysis are prematurely raised. No "impact" or "loss" can be measured at this time by any of the parties or by this Court because, as petitioners concede, they are presently litigating the question of the effect of the Commission's order in the state courts.[24] It should be presumed, until the contrary appears, that the Oklahoma courts will not permit petitioners to suffer an unconstitutional taking through application of the reduced spacing remedy.

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[22] Two of these cases, *Palmer* and *Patterson*, were dismissed *per curiam* for failure to raise a substantial federal question, citing previous decisions of the Court. *See also Anderson-Prichard Oil Corp. v. Corporation Commission*, 241 P.2d 363 (Okla. 1951), *appeal dismissed for want of a substantial federal question*, 342 U.S. 938 (1952) (Commission order challenged as violation of Due Process Clause of Fourteenth Amendment).

[23] *See* Petition of Union Texas Petroleum, at 15-16; Petition of Harper Oil Co., at 8.

[24] For a full discussion of this matter, *see* Section 3, *infra*.

Petitioners' further complaint that the order "interferes with reasonable investment-backed expectations" is not well taken. It is well-settled Oklahoma law that leases to land overlaying a common source of supply are continually subject to Oklahoma's inherent police power. *Patterson v. Stanolind Oil & Gas Co.*, 77 P.2d 83, 89 (Okla. 1938), *appeal dismissed for want of jurisdiction*, 305 U.S. 376 (1939). Consequently, any investment-backed expectations that may flow from those leases are likewise subject to the exercise of the state's authority.

The final prong of petitioners' analysis—availability and effectiveness of a less drastic alternative—merits little further discussion. The Commission determined that 160-acre spacing was the more effective of the two statutory remedies, and the Oklahoma Supreme Court found that substantial evidence supported this conclusion.

Petitioners' complaint that Order No. 148243 unconstitutionally impairs their contract rights is similarly devoid of merit. As noted above, none of the leases for which impairment is claimed is found in the record; thus, it is impossible for the Court to consider what, if any, effect the order has on them. Indeed, this Court has said that it will not consider matters which the court below did not consider and are not part of this Court's record. *Ciucci v. Illinois*, 356 U.S. 571, 573 (1958).[25]

It is a legal principle of long-standing that a lease made subsequent to the enactment of a statute cannot be constitutionally impaired by such statute. *Edgar A. Levy Leasing Co. v. Siegel*, 258 U.S. 242, 249 (1922). The statutory provision at issue here, 52 Okla. Stat. § 87.1(d), was adopted in 1947.[26] Since none of the petitioners has demonstrated that any of their leases were in existence

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[25] *See also* note 13, *supra*, and accompanying text.

[26] 1947 Okla. Sess. Laws, p. 328, § 1. This provision was originally identified as § 87.1(c). The subsection letter was changed to (d) by subsequent amendment. 1977 Okla. Sess. Laws, ch. 76, § 1.

prior to the enactment of the statute, they cannot ask this Court to find that those leases have been constitutionally impaired by the statute's enforcement.[27]

Furthermore, petitioners' argument contradicts the "commonplace" principle that "the Contract Clause does not operate to obliterate the police power of the States." *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 241 (1978). Under petitioners' analysis, the Corporation Commission would forever be precluded from employing the statutorily authorized reduced spacing remedy with respect to any land subject to a lease that has been extended beyond its primary term by virtue of production from a well on a spacing unit created by a prior spacing order. The Contract Clause was not intended to make the state's power to act in promotion of the public benefit—here, the preservation of scarce natural resources and the protection of correlative rights—subservient to contracts between individuals. *See Manigault v. Springs*, 199 U.S. 473, 480 (1905); *accord, Anderson-Prichard v. Corporation Commission*, 241 P.2d 363, 367 (Okla. 1951), *appeal dismissed*, 342 U.S. 938 (1952).

Petitioners also argue that the entry of Order No. 148243 deprives them of due process because through it the Commission vacated prior spacing orders that had endured for some 16 years. If, as petitioners assert, such action indeed achieves the status of a "departure from prior norms" examined by this Court in *Atchison, Topeka & Santa Fe Ry. Co. v. Wichita Board of Trade*, 412 U.S. 800, 808 (1973), the Commission is merely required to clearly set forth the grounds for such departure so that the reviewing court may determine whether the Commission acted within the scope of its authority. *Id.* As demonstrated above, the Commission complied fully with this

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[27] *Compare Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234 (1978) and *United States Trust Co. v. New Jersey*, 431 U.S. 1 (1977), the cases relied on by petitioners in the Union Texas Petroleum Petition, at 21-22. Both cases involved statutes enacted subsequent to execution of the contracts.

requirement, and the reviewing court found that the Commission had regularly pursued its authority.[28]

3. The Petitioners Prematurely Seek Review in This Court.

This Court has said that in order to qualify for review, a judgment must be both final and complete as to all the parties, as to the whole subject matter, and as to all causes of action involved. *Arnold v. United States for use of Guimarin & Co.*, 263 U.S. 427, 432 (1923). Such finality and completeness are not present in this case.

Petitioners acknowledge that litigation has been initiated—by petitioners themselves—to determine what, if any, effect the Commission's order will have on some of the leases of parcels where no drilling has been commenced.[29] Although petitioners "see no basis under Oklahoma law" for a contention that such leases terminated upon entry of that order, they assert that the question has never been decided by Oklahoma courts.[30] Nonetheless, petitioners ask this Court to review and reverse the Commission's order through constitutional adjudication before the Oklahoma courts have ruled whether, under state law, petitioners will suffer any undue harm.

In *Republic Natural Gas Co. v. Oklahoma*, 334 U.S. 62 (1948), this Court was faced with a similar situation. There, appellant gas producers sought reversal of a Cor-

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[28] Petitioners characterize the subject order as an "aberration" of Corporation Commission practice. *See* Union Texas Petroleum Petition, at 23. The facts do not support this characterization. The Commission uses a reduced spacing remedy whenever it finds that remedy necessary to effectively and efficiently drain underlying hydrocarbons. We have gathered and reprinted in Appendix A hereto eleven orders—all issued in a recent 18-month period—that typify the Commission's willingness to reduce spacing when appropriate.

[29] Union Texas Petroleum Petition, at 6-7; Harper Oil Co. Petition, at 6. A typical complaint is Atlantic Richfield Co. v. Dresner, Garfield County District Court, No. C-82-350, filed May 27, 1982.

[30] Union Texas Petroleum Petition, at 7.

poration Commission order on Fourteenth Amendment grounds, although the order, as affirmed by the Oklahoma Supreme Court, had not terminated all the issues in the case. This Court declined jurisdiction because the judgment appealed from did not meet the statutorily-required test of finality. In a comment upon its authority to review only final judgments or decrees of a state's highest court, this Court stated:

> "Designed to avoid the evils of piecemeal review, this [finality prerequisite] reflects a marked characteristic of the federal judicial system, unlike that of some of the States. This prerequisite for the exercise of the appellate powers of this Court is especially pertinent when a constitutional barrier is asserted against a State court's decision on matters peculiarly of local concern. Close observance of this limitation upon the Court is not regard for a strangling technicality. History bears ample testimony that it is an important factor in securing harmonious State-federal relations."

Id. at 67.

Here, petitioners ignore this sound principle, and urge this Court's interlocutory involvement to save them from the "requirement" that they drill a number of wells at great cost [31] in "a short time", and from incurring additional litigation expenses.[32] With respect to the alleged drilling "requirement", two observations are in order. First, no Oklahoma state authority can *require* petitioners to drill any wells. Petitioners may *choose* to drill, providing their leases allow them to do so. Second, petitioners have argued that the increased density remedy

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[31] Petitioners assert that the total cost of 250 wells could exceed 100 million dollars. Union Texas Petroleum Petition, at 7. Putting aside the fact that petitioners offer no substantiation for this estimate, it must be recognized that such drilling costs are *investments*, not losses for which no opportunity for recoupment exists. If petitioners are unable or unwilling to extract the minerals, the top lessees apparently are.

[32] Union Texas Petroleum Petition, at 7.

they prefer would achieve "manifestly the same" drilling results as reduced spacing.[33] If that is so, they face the same drilling costs under the plan they attack as under the plan they support. One must again question whether petitioners have any intention of exercising full drilling authority under an increased density plan, if they were to succeed in getting it.

Petitioners' plea for salvation from litigation expenses merits little attention. As this Court has remarked, "the incurring of some loss, before a process preliminary to review here is exhausted, is not in itself sufficient to authorize our intervention." *Republic Natural Gas Co. v. Oklahoma*, *supra*, at 70.

CONCLUSION

For the foregoing reasons, respondents Harvey W. Dierksen, *et al.*, urge that the Petitions for Writs of Certiorari be denied.

Respectfully submitted,

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Of Counsel

August 20, 1982

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[33] *Id.* at 18.

APPENDIX A

APPENDIX A

[This Appendix A reprints the eleven orders of the Corporation Commission of Oklahoma referenced in note 28 of the foregoing Brief.]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

Cause CD No. 59095

Order No. 153661

APPLICANT: A. H. FIREBAUGH and ORA M. FIREBAUGH

APPLICATION TO VACATE ORDER NO. 141045 INSOFAR AS IT CREATES SECTION 26, TOWNSHIP 20 NORTH, RANGE 15 WEST AS ONE DRILLING AND SPACING UNIT FOR THE MISSISSIPPI LIME COMMON SOURCE OF SUPPLY AND TO EXTEND ORDER NO. 143475 SO AS TO CREATE 80 ACRE DRILLING AND SPACING UNITS FOR THE MISSISSIPPI LIME COMMON SOURCE OF SUPPLY IN SECTION 26, TOWNSHIP 20 NORTH, RANGE 15 WEST, MAJOR COUNTY, OKLAHOMA.

REPORT OF THE COMMISSION

This cause came on for hearing before Harry E. Brown, Jr., Acting Trial Examiner for the Corporation Commission of the State of Oklahoma, on the 6th day of April, 1979, at 9:00 o'clock A.M., Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting findings and recommendations to the Commission.

Russell Thompson, James M. Peters and Joe Houk, Attorneys, appeared for the Applicants, A. H. Firebaugh and Ora M. Firebaugh; H. B. Watson, Jr., Attorney, appeared for the Respondent, Sabine Production Company; William A. Hadwiger, Attorney, appeared for Respondents, Johnnie C. Frazier and Rose Donley; and Harvey H. Cody, Conservation Attorney, appeared for the Commission. The Trial Examiner proceeded to hear the cause

and filed his report to the Commission recommending that the application be granted. Within the time permitted, exceptions were filed by Respondent, Sabine Production Company.

Arguments on the exceptions filed by Sabine Production Company were duly set for hearing before the Corporation Commission on May 9, 1979 at 10:00 o'clock A.M. On the 9th day of May, 1979, exceptions came on for hearing. H. B. Watson, Jr. appeared for Respondent, Sabine Production Company; James M. Peters and Joe Houk appeared for the Applicants; Harvey Cody, Conservation Attorney and C. Pat Allen, Assistant Conservation Attorney, appeared for the Corporation Commission, at which time the Commission heard arguments of counsel, at the conclusion of which the cause was taken under advisement. The Commission, after consideration of all the evidence and being fully advised in this cause finds that 80 acre standup units should be created by drawing a North/South center line through each governmental quarter section (with the Firebaugh 1-26 Well the designated well for the E/2 of the NW/4 of Section 26) and the effective date of the order to be April 6, 1979 and that the report of the Trial Examiner should be adopted, and the following findings and order should be issued:

FINDINGS

1. That Cause CD No. 59095 is an Application of A. H. Firebaugh and Ora M. Firebaugh requesting the Commission to vacate Order No. 141045 insofar as it created Section 26-T20N-R15W in Major County, Oklahoma, as one drilling and spacing unit for the Mississippi Lime common source of supply and to extend Order No. 143475 creating 80 acre drilling and spacing units for the Mississippi Lime common source of supply to cover and include Section 26, Township 20 North, Range 15 West in Major County, Oklahoma. Applicant's Application has recommended that the units be created by drawing an East/West center line through each governmental

quarter section with the units to be composed of the N/2 of the quarter section and the S/2 of the quarter section and with the permitted wells in the Northwest 40 acres and the Southeast 40 acres of each governmental quarter section not nearer than 330 feet to the boundary of the 40 acre tract in which the permitted well lies. Applicant's Application has recommended that the Firebaugh 1-26 Well in the center of the NW/4 of Section 26-T20N-R15W be the permitted well for the drilling and spacing unit consisting of the S/2 of the NW/4 of Section 26-T20N-R15W.

2. That notice has been given in all respects as required by law and the Rules of the Corporation Commission of the State of Oklahoma; that Applicant is an owner within the area covered by the Application; the said Commission has jurisdiction over the parties and the subject matter herein.

3. Order No. 141045 dated May 2, 1978, created a 640 acre drilling and spacing unit in subject Section 26 in the Mississippi. Gas production was expected at the time this order was entered. In July, 1978, the adjacent Section 27 to the west was spaced on 80 acre drilling and spacing units in the Mississippi. The Applicant seeks to extend the order in Section 27 and vacate the existing spacing order in Section 26, thereby creating 80 acre drilling and spacing units in Section 26.

The Respondent, Sabine Production, drilled the well in Section 26 and the well went into production in February, 1979. Sabine urged it be given time to evaluate its well before making the decision of development of the area because not enough facts were available to make prudent decisions at that time.

4. A Petroleum Consulting Engineer, George Fort, testified for the Applicant. He stated he was familiar with the area and had testified recently in CD No. 53519 wherein Section 27 was spaced on 80 acre units. He updated his previous study of the area for this hearing, but admitted he has very little available data in Section 26. The Section 26 well Firebaugh 1-26, was drilled to

a total depth of 10,120 feet to the Hunton. Tests were made in the Hunton and a cast iron bridge plug was set above the Hunton and the well was completed in the Mississippi at 9,042 feet to 9,768 feet. Initial completion from the Mississippi was 737 barrels of oil, 419 barrels of load water and 850,000 cubic feet of gas, with a G.O.R. of 1,153-1. The well suffered a decline and such is strong indication it has limited drainage area which is typical in the Mississippi in this area. His opinion was that it was definitely an oil well. That the Mississippian underlies Section 26 and it is the same common source of supply as Section 27 even though may not be interconnected. He recommended that Order No. 141045 insofar as it applied to Section 26 be vacated as to Mississippian only and that the units had been respaced in Section 27 as laydown units with the NW SE pattern, but he recommended the units be standup units in Section 26 with a NW SE pattern, and that the Firebaugh 1-26 Well be the designated well for the unit consisting of the E/2 of the NW/4 of Section 26-T20N-R15W, Major County, Oklahoma.

The change of conditions was the knowledge gained from the recent well in Section 26. That it is an oil well with limited drainage area. He recommended 80 acre drilling and spacing units be created considering the facts and the law. The witness admitted he had limited knowledge of Section 26 well. The witness had hearsay evidence about the well available to him, but did not take it into consideration when reaching his conclusions about the well. The well in Section 26 should be designated the unit well for the E/2 of the NW/4. That it is not economically prudent to develop on 640 acres.

5. Mr. Firebaugh testified he was an owner of an interest in the area covered by the Application. That he owned 80 acres of minerals in the NW/4 of Section 26 and one acre in the remaining part of the Section. That 1002A names the well an oil well. Mrs. Martin had told him the cumulative production of the well for

44 days was approximately 6,000 barrels of oil and 26,000 cubic feet of gas and the well was decreasing.

6. Mrs. Martin testified she did give the information to Firebaugh and that it was given to her by the employees of Sabine that were testifying today at a recent steak house meeting.

7. Counsel for Sabine called Elizabeth P. Richards, Petroleum Engineer, who stated she was familiar with the area and presented Exhibit 10 which shows daily production in barrels per day since turned into pipeline February 6 to April 1, a total of 54 days. The peak production was 300 barrels per day. The estimated gas is 370,000 cubic feet of gas per day and 70 barrels of oil per day. She said Mrs. Martin's figures were given to her as 6,731 barrels and approximately 26 million cubic feet of gas, but that the figure was 30,180 MCF cumulative gas through April 1st. The witness explained Exhibit 11, an economic analysis of the Firebaugh well. If the low curve is correct, Sabine will recover 45% over what it put into the well in ten years. If the high curve is correct, it will get back three times its investment. That she didn't have enough data to make an accurate projection, but she didn't think Section 26 could be economically developed on 80 acre units. She needs 6 to 8 months of production to make accurate projections.

On cross-examination, the witness impressed the Examiner with her veracity and candor. She said the Mississippi oil wells in the area start off like this one and then fall off. That there is no question, the subject well is an oil well. J. R. Thomas, Supervisor for Sabine filed the 1002-A Report and named it an oil well, and she agrees with him then, and still thinks it is an oil well now. That 640-acre spacing is not in the best interest of the owners and that spacing should be reduced. That Sabine needs more time to evaluate production data to determine if it should drill another well. That if it became economically feasible, Sabine would propose to drill additional wells on increased density. But that she had

no authority to commit Sabine for additional wells. That the well is an oil well and she doesn't see it changing.

8. Counsel for Sabine called Olin Medley, Geologist who said he was familiar with the area. He recommended the Application be dismissed and Sabine be given time to continue an exploration program in the area. Sabine needs eight months to determine if it would drill and if it didn't, it would "step out of the picture". He would have testified that gas production was expected and therefore requested 640 acre spacing for Section 26, but now, with information available, he would ask for 80-acre spacing except that Sabine needs more time to evaluate data so that it can make definite plans of development.

9. May Jane Combs, Geological Engineer with Tenneco recommended the Application be denied so that more time could be given to study gravity of Section 26 well. She has looked at logs, but hasn't made a geologic study of the area. Tenneco is not certain Section 26 well is an oil well but, if it is, it ought to be spaced on 80-acre units.

10. Mr. W. F. Campbell, owner in the area, stated the units should be standup instead of laydown.

11. Mrs. Nadine Martin stated she was in favor of 80-acre spacing.

12. Luther Nunley, an owner in the area, wants 80-acre spacing and laydown units.

ORDER

IT IS THEREFORE, ORDERED by the Corporation Commission of Oklahoma as follows:

1. That the Firebaugh No. 1-26 Well located in the NW/4 of Section 26-T20N-R15W, Major County, Oklahoma, is an oil well completed in the Mississippi Lime separate common source of supply at a depth of 9,042 to 9,761 feet below the surface.

2. That Order No. 141045 be, and the same is hereby vacated insofar as it created Section 26-T20N-R15W as

one drilling and spacing unit for the Mississippi Lime common source of supply.

3. That 80-acre drilling and spacing units are hereby created for the Mississippi Lime common source of supply of oil and gas underlying Section 26, by extending Order No. 143475. The 80-acre drilling and spacing units to be created by drawing a North-South center line through each governmental quarter section. The units to be standup 80 acres with the permitted wells to be located in the NW 40 acres and the SE 40 acres of each governmental quarter section, any place in the 40 acres not nearer than 330 feet to any unit boundary thereof.

4. That with the existing Firebaugh No. 1-26 Well located approximately in the center of the NW/4 of Section 26-T20N-R15W to be the permitted well for the drilling and spacing unit consisting of the E/2 of the NW/4 Section 26-T20N-R15W.

5. All royalty interests within the drilling and spacing unit herein created are pooled and communitized. Each royalty owner shall participate in the production from the unit well in the proportion which his mineral interest within the drilling and spacing units bears to the full mineral interest within the drilling and spacing unit.

6. Should there be any dispute between lessees concerning the development of any of the drilling and spacing units herein created, the Commission reserves jurisdiction to adjust their rights and equities as provided for in Title 52, Okla. Stat., Sec. 87.1.

7. The permitted well authorized hereby for the drilling and spacing unit established by this Order is necessary to effectively and efficiently drain the portion of the common source of supply covered by said drilling and spacing unit. This order shall alter the well spacing rules and requirements previously applicable to the common source of supply underlying each drilling and spacing unit established by this Order and superseding the provisions of O.C.C.-O.G.R. 1-501, General Well Spacing Re-

quirements, to the extent such provisions are inconsistent with this Order.

8. Attached hereto marked Exhibit "A" is a plat showing the size and shape of the drilling and spacing units herein created and the location of the permitted well within each drilling and spacing unit.

The effective date of this order is April 6, 1979.

DONE AND PERFORMED this 31 day of May, 1979.

OKLAHOMA CORPORATION COMMISSION

/s/ Hamp Baker
Chairman

/s/ Bill Dawson
Vice Chairman

_____
Commissioner

ATTEST:

/s/ Ed Overholser
ED OVERHOLSER
Secretary

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

Cause C.D. No. 56996

Order No. 157719

IN THE MATTER OF THE APPLICATION OF BENTON F. THOMASON FOR AN ORDER ESTABLISHING PROPER DRILLING AND SPACING UNITS FOR THE DES MOINES (BIG LIME), TONKAWA, LAYTON MISSISSIPPIAN LIME, AND RED FORK SEPARATE COMMON SOURCES OF SUPPLY, BY VACATING ORDER NOS. 92891, 98259, AND 106740 (640-ACRE UNIT) AND RE-ESTABLISHING 80-ACRE UNITS IN SECTION 9, TOWNSHIP 27 NORTH, RANGE 12 W.I.M., ALFALFA COUNTY, OKLAHOMA.

REPORT OF THE COMMISSION

This cause came on for hearing before Charles C. Chastain, Trial Examiner for the Corporation Commission of Oklahoma, on the 22nd day of November, 1978, pursuant to notice given as required by law and the rules of the Commission, for the purpose of taking testimony and reporting to the Commission.

At the time said cause was heard, James V. Collins, attorney, appeared for the Applicant, Benton F. Thomason. Joe H. Lawter, President of the Farmers Union Co-Operative Royalty Co., appeared for and as representative of said company. Warren Y. Pickering, petroleum geologist, appeared for the purpose of giving expert testimony in support of the application.

The Trial Examiner heard the cause and has filed his report recommending that the application be granted. The Commission concludes that the recommendation of the Trial Examiner should be adopted and therefore finds and orders as follows:

FINDINGS

1. This is an application of Benton F. Thomason for an order vacating Order Nos. 92891, 98259 and 106740

insofar, and only insofar, as said orders established 640-acre spacing and drilling units in Section 9, Township 27 North, Range 12 W.I.M., Alfalfa County, Oklahoma, and for the production of oil, gas and gas condensate from the Des Moines (Big Lime), Oswego, Tonkawa, Layton, Mississippian Lime and Red Fork Separate Common Sources of Supply, and in lieu thereof, to establish 80-acre spacing for said formations and the establishing of appropriate well locations and exceptions thereto.

2. The Commission has jurisdiction over the subject matter herein and notice has been given in all respects as required by law and the rules of the Commission.

3. That heretofore 640-acre drilling and spacing units have been established in this area by Order Nos. 92891, 98259 and 106740 for the production of gas and gas condensate from the Des Moines (Big Lime), Oswego, Tonkawa, Layton, Mississippian Lime and Red Fork formations underlying Section 9, Township 27 North, Range 12 W.I.M., Alfalfa County, Oklahoma.

4. The applicant is an owner of minerals lying in and under said Section 9, and Farmer's Union Co-operative Royalty Company is likewise the owner of minerals underlying said section.

5. The applicant's testimony establishes that on March 3, 1977, Cummings Oil Company completed the Thomason Well No. 1-9 located at the center of the SW/4 of said Section 9 with an initial pumping rate of 6 barrels of oil per day and 2 barrels of water per day in the Red Fork zone at a perforated interval of 5204-5213 feet. Wells drilled in Sections 3, 4, 6, 8, 10, 15, and 17 of Township 27 North, Range 12 W.I.M., have all been completed as dry holes. The nearest production to the Thomason Well No. 1-9 is the Frieden Well No. 3-A completed by Ricks Exploration on August 16, 1978, for an initial flowing rate of 380 MCF per day and 80 barrels of water per day from the Oswego formation at a perforated interval from 4590-4596 feet.

6. By Order 106740 this Commission established 640-acre gas drilling and spacing units for the Des Moines (Big Lime), Oswego, Tonkawa, Layton, Mississippian Lime and Red Fork separate common sources of supply underlying lands which included Section 9, Township 27 North, Range 12 W.I.M., Alfalfa County, Oklahoma. The latter described governmental section was designated as one drilling and spacing unit as aforesaid. The permitted well for the drilling and spacing unit is the Thomason 1-9 located in the center of the SW/4 of said Section 9 which well was completed on March 22, 1977 as an oil well. Drilling activity in the area subsequent to the entry of this Commission's Order No. 106740 indicates a substantial change in knowledge of the conditions in the subject area requiring modification of the drilling and spacing unit classification for Section 9, Township 27 North, Range 12 W.I.M., Alfalfa County, Oklahoma to 80-acre oil and gas drilling and spacing units.

7. Taking into consideration all of the evidence, facts and circumstances appearing in this cause, an order should be made amending Order Nos. 92891, 98259 and 106740 by deleting therefrom Section 9, Township 27 North, Range 12 W.I.M., and establishing 80-acre drilling and spacing units in said section, forming the same by a line running North and South through the center of each respective governmental quarter-section thereof. The permitted well location for each of said 80-acre drilling and spacing units should be the NE/4 and the SW/4 of each respective governmental quarter section and should be located no closer than 330 feet to the unit boundary, except the Thomason Well No. 1-9, which should be designated as the permitted well for the W/2 of the SW/4 of said Section 9.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. That Section 9, Township 27 North, Range 12 W.I.M., Alfalfa County, Oklahoma, be and the same is hereby deleted from the purview of Order Nos. 92891 and 98259 as extended by Order No. 106740, establishing 640-acre drilling and spacing units in the Des Moines (Big Lime), Oswego, Tonkawa, Layton, Mississippian Lime and Red Fork formations.

2. That 80-acre drilling and spacing units be and the same are hereby established for the production of oil, gas and gas condensate from the Des Moines (Big Lime), Oswego, Tonkawa, Layton, Mississippian Lime and Red Fork formations underlying Section 9, Township 27 North, Range 12 W.I.M., Alfalfa County, Oklahoma.

3. That said 80-acre units be formed by dividing each respective governmental quarter section in said Section 9 by a line running North and South through the center thereof, with permitted well locations in the NE/4 and the SW/4 of each respective governmental quarter section. The permitted well should be located no closer than 330 feet to the unit boundary of the 80-acre unit, except the Thomason Well No. 1-9, which is hereby designated as the permitted well for the W/2 of the SW/4 of Section 9.

4. That all royalty interests within any spacing unit shall be communitized and each royalty owner within any unit shall participate in the royalty from the well drilled thereon in the relation that the acreage owned by him bears to the total acreage in the unit.

5. That in the event there are divided or undivided interests within any unit and the parties are unable to agree on a plan for the development of the unit, then their rights and equities shall be adjudicated by the Commission as provided for by subsection d, Section 87.1, Title 52, Oklahoma Statutes.

DONE AND PERFORMED this 20 day of September, 1979.

ATTEST:

/s/ Ed Overholser
Secretary

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
Chairman

/s/ Bill Dawson
Vice-Chairman

/s/ Norma Eagleton
Member

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

Cause CD No. 58274

Order No. 160506

IN THE MATTER OF THE APPLICATION OF TOMMY YOUNG FOR AN ORDER AMENDING ORDER NO. 99348 AND ESTABLISHING 80-ACRE DRILLING AND SPACING UNITS FOR THE COTTAGE GROVE COMMON SOURCE OF SUPPLY UNDERLYING SECTION 31, TOWNSHIP 21 NORTH, RANGE 21 WEST, WOODWARD COUNTY, OKLAHOMA.

REPORT OF THE COMMISSION

This cause came on for hearing before Harry E. Brown, *Jr.*, Acting Trial Examiner for the Corporation Commission of Oklahoma, on the 1st day of February,

1979, in the Commission's Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, pursuant to notice given as required by law and the Rules of the Commission.

Donald R. Lisle, Attorney, appeared for the Applicant, Tommy Young; John R. Robertson, Jr., Attorney, appeared for Ran Ricks, Jr., and Harvey Cody, Conservation Attorney, appeared for the Corporation Commission.

The Trial Examiner heard the cause and has filed his report recommending that the application be granted. The Commission concludes that the recommendation of the Trial Examiner should be adopted and therefore finds and orders as follows:

FINDINGS

1. This is an application of Tommy Young for an order amending Order No. 99348 by vacating such order which established Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma as a 640-acre drilling and spacing unit for the production of gas and gas condensate from the Cottage Grove common source of supply lying thereunder and thereafter for an order establishing 80-acre drilling and spacing units for the production of oil and gas from the Cottage Grove common source of supply underlying Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma.

2. The Commission has jurisdiction over the subject matter herein and notice has been given in all respects as required by the laws and Rules of the Commission and no protests have been entered to the granting of the application.

3. Applicant is the owner of an undivided ¼ interest in the minerals underlying Section 31-T21N-R21W, Woodward County, Oklahoma. Clifford W. Miller, Woodward, Oklahoma is the owner of an undivided ¾ of all of the minerals underlying Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma. Sarkeys, Inc. is the lessee of record of all minerals underlying this section and Ricks Exploration Company is the owner of a farm-out agreement from Sarkey's Inc.

4. By Order No. 99348, dated August 16, 1978, upon application of R. P. Lammerts, the Corporation Commission established Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma, along with other lands not here involved, as a 640-acre drilling and spacing unit for the production of gas and gas condensate from the Tonkawa, Cottage Grove, Big Lime, Oswego, Cherokee, Morrow, and Chester common sources of supply lying thereunder.

The Cottage Grove common source of supply underlies Section 31 at approximately 7600 feet and produces predominately oil rather than gas. On or about February 19, 1977, Sarkey's, Inc. completed an oil well in the Cottage Grove Sand in the W/2 of the W/2 of the E/2 of the SW/4 of Section 31 at a depth of 7616 to 7630 feet producing approximately 95 barrels of oil daily. Said well, as of the time of this hearing, was still on production.

Applicant alleges that the Cottage Grove common source of supply underlying this section has been determined, by actual drilling, to be an oil common source of supply as opposed to a gas common source of supply. Therefore, Applicant recommends that Order No. 99348 be vacated and thereafter the Commission establish 80-acre drilling and spacing units for the production of oil and gas from the said Cottage Grove common source of supply.

5. Applicant testified that one well can efficiently drain the recoverable oil and gas from the Cottage Grove common source of supply underlying an area of 80-acres. Applicant testified that the costs of a dry hole to the Cottage Grove common source of supply would be approximately $217,020.00 and the costs of drilling, completing and equipping a producing well through the Cottage Grove common source of supply would be approximately $381,671.00. Applicant testified that in the event a well was drilled to the Cottage Grove common source of supply and encountered production, such production

would be oil and gas rather than gas and gas condensate; that one well drilled to the Cottage Grove common source of supply encountering oil and gas would be sufficient to allow recovery of all or substantially all of the recoverable hydrocarbons underlying a 80-acre drilling and spacing unit; and, considering the nature of the anticipated production, the drainage area, the estimated costs of drilling, completing and equipping wells and considering the obligation to the royalty owners, it would be uneconomical to drill a well to the above named common source of supply at a density greater than 80-acres. Accordingly, Applicant recommends that 80-acre drilling and spacing units be established for the Cottage Grove common source of supply underlying the lands described in the caption hereof.

Applicant further testified that the Cottage Grove is spaced on 80-acres (predominately oil) underlying Sections 27, 28, and 29, Township 21 North, Range 21 West, Woodward County, Oklahoma pursuant to Order No. 132615 dated July 20, 1977. Applicant testified that this order should be extended to include all of Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma for the reason that the Cottage Grove common source of supply underlying Sections 27, 28, and 29, Township 21 North, Range 21 West, Woodward County, Oklahoma is one and the same accumulation of hydrocarbons in the Cottage Grove common source of supply as was found under Section 31-21N-21W, Woodward County, Oklahoma.

6. One well in each drilling and spacing (proration) unit established by this Order is necessary to effectively and efficiently drain the portion of the Cottage Grove common source of supply (reservoir) covered by each such drilling and spacing (proration) unit, there being no existing well within each such drilling and spacing (proration) unit which can effectively and efficiently drain the portion of such common source of supply (reservoir) covered by each such drilling and spacing unit.

This Order shall alter the well spacing rules and requirements previously applicable to the above named common source of supply underlying Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma, by superseding the provisions of O.C.C.-O.G.R. 1-501, General Well Spacing Requirements, to the extent such provisions are inconsistent with this Order.

7. Any well hereafter drilled within the surface area of the affected lands which is completed as a producing well in any reservior for which no drilling and spacing unit has been established that includes the lands on which such well is located, and which may therefore be considered to be within a *de facto* proration unit by virtue of O.C.C.-O.G.R. 1-501, General Well Spacing Requirements, is necessary to effectively and efficiently drain a portion of the reservoir covered by such *de facto* proration unit which cannot be effectively and efficiently drained by any other existing well within such *de facto* proration unit which has been drilled prior to the date of the hearing in this cause. The boundaries of any such previously existing *de facto* proration unit are hereby redefined by redesignating and confirming any such *de facto* proration unit.

8. In the interest of securing the greatest ultimate recovery from the reservoir, the prevention of waste and the protection of correlative rights, this application should be granted.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. Order No. 99348 dated August 16, 1978, which established Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma as a 640-acre drilling and spacing unit for the production of gas and gas condensate from the Cottage Grove common source of supply underlying Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma is hereby vacated. This

vacation is not applicable to and in no wise affects the Tonkawa, Big Lime, Oswego, Cherokee, Morrow and Chester common sources of supply underlying Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma, which were also spaced by Order No. 99348 as this application and notice and Order affects only the Cottage Grove common source of supply underlying said Section 31-21N-21W, Woodward County, Oklahoma.

2. The area covered by Order No. 132615 is hereby enlarged so that 80-acre drilling and spacing units are established for the Cottage Grove common source of supply underlying all of Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma.

2. Said 80-acre drilling and spacing units shall be established by drawing a north-south line through the center of each governmental quarter section within the area sought to be spaced, creating an east and west 80-acre unit within each governmental quarter section, with the permitted 40-acre tracts upon which a well may be located to be the Southeast 40 acres and the Northwest 40 acres of each governmental quarter section. Within such applicable 40-acre tracts within each governmental quarter section, the permitted well shall be in the center thereof; provided, however, a well will be deemed drilled at the permitted location if drilled anywhere in an applicable 40-acre tract not closer than 330 feet from the boundary of such 40-acre tract. Provided, however, the permitted unit well for the drilling and spacing unit consisting of the E/2 of the SW/4 of Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma shall be the Sarkey's, Inc. Well located in the approximate center of the W/2 of the W/2 of the E/2 of the SW/4 and any other well heretofore drilled to and now producing from the Cottage Grove common source of supply shall be the designated well for the 80-acre unit upon which such well, at the date of this Order, is located.

3. One well in each drilling and spacing (proration) unit established by this Order is necessary to effectively and efficiently drain the portion of the Cottage Grove common source of supply (reservoir) covered by each such drilling and spacing (proration) unit, there being no existing well within each such drilling and spacing (proration) unit which can effectively and efficiently drain the portion of such common source of supply (reservoir) covered by each such drilling and spacing unit. This Order shall alter the well spacing rules and requirements previously applicable to the above named common source of supply underlying Section 31, Township 21 North, Range 21 West, Woodward County, Oklahoma, by superseding the provisions of O.C.C.-O.G.R. 1-501, General Well Spacing Requirements, to the extent such provisions are inconsistent with this Order.

4. Any well hereafter drilled within the surface area of the affected lands which is completed as a producing well in any reservoir for which no drilling and spacing unit has been established that includes the lands on which such well is located, and which may therefore be considered to be within a *de facto* proration unit by virtue of O.C.C.-O.G.R. 1-501, General Well Spacing Requirements, is necessary to effectively and efficiently drain a portion of the reservoir covered by such *de facto* proration unit which cannot be effectively and efficiently drained by any other existing well within such *de facto* proration unit which has been drilled prior to the date of the hearing in this cause. The boundaries of any such previously existing *de facto* proration unit are hereby redefined by redesignating and confirming any such *de facto* proration unit.

5. A map shall be attached hereto and marked Exhibit A and made a part hereof, showing the outline of drilling and spacing unit and the location of the permitted well in the unit.

6. All royalty interests within each drilling and spacing unit shall be communitized and each royalty owner

within each unit shall participate in the royalty in the well drilled thereon, in the relation that the acreage owned by him bears to the total acreage in each unit.

7. In the event there are divided or undivided interests within the units and the parties are unable to agree on a plan for the development of the units, then their rights and equities shall be adjudicated by the Commission as provided by Title 52, Oklahoma Statutes, 1971, Section 87.1(e).

DONE AND PERFORMED this 21 day of November, 1979.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
HAMP BAKER
Chairman

/s/ Bill Dawson
BILL DAWSON
Vice Chairman

/s/ Norma Eagleton
NORMA EAGLETON
Commissioner

ATTEST:

/s/ Berdee S. Holt
Acting Secretary

[SEAL]

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

Cause CD No. 63674

Order No. 162782

Applicants: M.C. EMMONS and RUTH EMMONS

Nature of Cause: TO AMEND PRIOR SPACING ORDERS; TO DELETE CERTAIN TONKAWA SPACING; TO ESTABLISH 80-ACRE TONKAWA SPACING;

Land Covered: SECTION SIX IN TOWNSHIP SIXTEEN NORTH, RANGE NINETEEN WEST, DEWEY COUNTY, OKLAHOMA

REPORT OF THE COMMISSION

This cause came on for hearing before Charles Helm, Acting Trial Examiner for the Corporation Commission of the State of Oklahoma on the 7th day of November, 1979, at 9:00 o'clock a.m., in the Commission's Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of taking testimony and reporting to the Commission.

Harvey L. Harmon, Jr., Attorney, appeared for the Applicants, M.C. Emmons and Ruth Emmons, Roy Graybill appeared pro se, and Harvey Cody, Conservation Attorney, appeared for the Commission.

The Trial Examiner heard the cause and has filed his Report recommending that the Application be granted which Report and recommendation are hereby adopted and the Commission therefore finds as follows:

FINDINGS

1. That this is an Application of M.C. Emmons and Ruth Emmons for an Order to amend prior spacing Order No. 61184 extended into the captioned lands by Order No. 66418 by reforming the 640-acre Tonkawa spac-

ing in the captioned lands and into 80-acre predominantly oil Tonkawa spacing in Section 6 in Township 16 North, Range 19 West, Dewey County, Oklahoma.

2. That the Commission has jurisdiction over the subject matter therein; that notice has been given in all respects as required by law and no protests have been entered to the granting of this Application.

3. That the Applicants are the owners of oil and gas leases in the above described area. That the above described lands overlie the Tonkawa formation.

4. That the present well located in the NE/4 of Section 6, Township 16 North, Range 19 West, Dewey County, Oklahoma, was completed March 25, 1978, from the Tonkawa for 28 barrels of oil with 27 barrels of load water and 50 MCF of gas through a ¾" choke. The gas/oil ratio was 1,786 to 1 over all perforations from 7,919 feet to 7,945. Cummulative production to July 1, 1979 was 3,509 barrels of oil. Production for the first half of 1979 was 996 barrels of oil which is 166 barrels of oil per month or 5.5 barrels of oil per day.

5. That the production history and information from the existing well and the testimony show the Tonkawa to be a combination reservoir with an oil phase underlying the captioned lands.

6. That it is the testimony that one well will adequately drain all the economically recoverable hydrocarbons for each 80-acre precominantly [sic] oil drilling and spacing unit and that it is not economically feasible to drill wells on a pattern larger than 80 acres.

7. That an Order should be made establishing that the 80-acre predominantly oil drilling and spacing units for the production of oil and gas from the Tonkawa formation underlying the lands described in the caption hereof should be comprised of the E/2 of the W/2 of said governmental Quarter Section with the permitted well for each unit to be in the location permitted by Rule 1-504 of the Rules of the Corporation Commission of Oklahoma with the exception of the existing well.

8. That in the interest of securing the greatest ultimate recovery of oil and gas from the various pools, the prevention of waste and the protection of correlative rights, this Application should be granted.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. That Order No. 61184 creating 640-acre drilling and spacing units for production from the Tonkawa formation as extended into the captioned lands by Order No. 66418 be and the same is hereby amended and that Section 6, Township 16 North, Range 19 West, Dewey County, Oklahoma, be and the same is hereby reformed into 80-acre predominantly oil drilling and spacing units for production from the Tonkawa formation.

2. That the 80-acre drilling and spacing units hereinabove mentioned shall be formed by dividing each governmental Quarter Section by a line running north and south through the center thereof, with the permitted well location being in the Northwest and Southeast 40 acres of each governmental Quarter Section at least 330 feet from the boundary line of the respective 40-acre tracts, with the exception of the existing well located in the NE/4 of Section 6-16N-19W which shall be the designated well for the 80-acre unit comprised of the W/2 of the NE/4 for so long as oil or gas is produced in paying quantities therefrom. Should said well be plugged or abandoned, the legal location shall revert to the standard location as provided by Rule 1-504.

3. That a map be attached hereto marked Exhibit A and made a part hereof showing the outline of the area spaced herein, the size and shape of the drilling units and the location of the permitted well on each unit.

4. That all royalty interests within any spacing unit shall be communitized and each royalty owner within any unit shall participate in the royalty from the well drilled

thereon and the relation that the acreage owned by him bears to the total acreage in the unit.

5. That in the event there are divided interests within any unit and the parties are unable to agree on a plan for the development of the unit, then the rights and equities shall be adjudicated by the Commission, as provided for by Subsection D, Section 87.1, Title 52, 1971 O.S.A.

6. That this Order shall be effective as of the 7th day of November, 1979.

DONE AND PERFORMED this 16th day of January, 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
Chairman

/s/ Bill Dawson
Vice Chairman

/s/ Norma Eagleton
Member

ATTEST:

/s/ Berdee S. Holt
Act. Secretary

[SEAL]

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

CD No. 64529

Order No. 163551

APPLICANT: Bob R. Fast

IN THE MATTER OF DELETING SECTION 6, TOWNSHIP 20 NORTH, RANGE 12, W.I.M., MAJOR COUNTY, OKLAHOMA, FROM THE PROVISIONS OF ORDER NO. 121748 CREATING DRILLING AND SPACING UNITS FOR THE PRODUCTION OF GAS AND GAS CONDENSATE FROM THE MISSISSIPPIAN FORMATION, AND TO CREATE 80-ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF OIL FROM THE MISSISSIPPIAN FORMATION UNDERLYING SECTION 6, TOWNSHIP 20 NORTH, RANGE 12, W.I.M., MAJOR COUNTY, OKLAHOMA

REPORT OF THE COMMISSION

This Cause came on for hearing before Will Fogels, Acting Trial Examiner for the Corporation Commission of the State of Oklahoma, on the 6th day of December, 1979, at 9:00 A.M., Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony, and reporting findings and recommendations to the Commission.

Tom Hieronymus, Attorney, appeared for the Applicant, Bob R. Fast; and Harvey H. Cody, Conservation Attorney, appeared for the Commission.

The Trial Examiner heard the cause and has filed his report recommending that the Application be granted, which report and recommendation are hereby adopted, and the Commission, therefore, finds as follows:

FINDINGS

1. That this is the Application of Bob R. Fast for an order deleting Section Six (6), Township Twenty (20)

North, Range Twelve (12), W.I.M., Major County, Oklahoma, from the purview of Order No. 121748, which created 640-acre Mississippian gas and gas condensate spacing and drilling units, and to establish 80-acre Mississippian drilling and spacing units for all of said Section Six (6). At the time of the hearing Mississippian was amended to Mississippi Solid.

2. That the Commission has jurisdiction over the subject matter herein and that notice has been given in all respects as required by law and the Rules of the Commission, and no protests have been entered to the granting of the Application.

3. That heretofore, the Commission, by Order No. 121748, created a 640-acre drilling and spacing unit for the production of gas and gas condensate from the Mississippi Solid Common Source of Supply underlying Section 6, Township 20 North, Range 12, W.I.M., Major County, Oklahoma.

4. George E. Fort, a consulting engineer testifying for the Applicant, stated that the present well located in the Northeast Quarter of said Section 6 is producing from the Mississippi Solid formation from 8125 feet to 8490 feet. The well went on production in September 1976, and up to July 1, 1979, had produced 10,820 barrels of oil. The well was completed on September 21, 1976, for 40 barrels of oil, and 90 barrels of load water in 12 hours open choke with a flowing pressure of 20 pounds. The well is now on the pump and for the first half of 1979, it averaged approximately 7.4 barrels of oil per day; that it is an oil well; that it is a combination reservoir; that the oil portion of the reservoir underlies said Section 6 and is a separate common source of supply productive of oil from the Mississippi Solid formation.

5. That the evidence further shows by the discovery of oil in Section 6 is a substantial change of condition from that found to exist at the time Order No. 121748 was entered.

6. That Section 6, Township 20 North, Range 12, W.I.M., Major County, Oklahoma, should be deleted from

Order No. 121748 creating 640-acre units for the production of gas and gas condensate from the Mississippi Solid common source of supply and that said order be amended by establishing 80-acre drilling and spacing units for the production of oil from the Mississippi Solid common source of supply under Section 6, Township 20 North, Range 12, W.I.M., Major County, Oklahoma.

7. That in the interest of securing the greatest ultimate recovery from the pool, the prevention of waste and the protection of correlative rights, this Application should be granted.

ORDER

IT IS, THEREFORE, ORDERED by the Corporation Commission of the State of Oklahoma as follows:

1. That Order No. 121748, which established Section Six (6), Township Twenty (20) North, Range Twelve (12), W.I.M., Major County, Oklahoma, as a 640-acre drilling and spacing unit for the production of gas and gas condensate from the Mississippi Solid formation, is amended by forming 80-acre drilling and spacing units for the production of oil and gas from the Mississippi Solid formation underlying Section 6, Township 20 North, Range 12, W.I.M., Major County, Oklahoma.

2. That 80-acre drilling and spacing units are formed by an east and west line through the centers of the governmental quarter sections and the permitted well shall be located in the Northeast and the Southwest 40 acres of the governmental quarter sections at a point therein not closer than 330 feet of the boundary of the governmental quarter section.

3. That the well now located in the NE/4 of said Section 6 is designated as the unit well for the unit which comprises the N/2 NE/4 of Section 6, Township 20 North, Range 12, W.I.M., Major County, Oklahoma, and an exception to this Order is made for said well.

4. Attached hereto, marked Exhibit A and made a part hereof, is a map which shows the location and

boundaries of the 80-acre drilling and spacing units and the location of the permitted well in each of said units.

5. All royalty interests within any drilling and spacing unit shall be communitized and each royalty owner within any such drilling and spacing unit shall participate in 1/8th of all production from any well drilled thereon in the proportion that the acreage owned by any such royalty owner within such drilling and spacing unit bears to the entire acreage in such drilling and spacing unit.

6. In the event there are divided or undivided interests within any drilling and spacing units and the parties are unable to agree on a plan for the development of the drilling and spacing unit, then their rights and equities shall be adjudicated by the Commission as provided for by Title 52, O.S.A. Section 87.1.

DONE AND PERFORMED this 29 day of January, 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
HAMP BAKER
Chairman

/s/ Bill Dawson
BILL DAWSON
Vice-Chairman

/s/ Norma Eagleton
NORMA EAGLETON
Member

ATTEST:

/s/ Berdee S. Holt
Act. Secretary

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

Cause CD No. 66407

Order No. 165682

IN THE MATTER OF THE APPLICATION OF MAJOR OIL COMPANY FOR AN ORDER DELETING 640-ACRE CHEROKEE SAND SPACING COVERING SECS. 4 AND 9-21-N-9W, MAJOR COUNTY, OKLAHOMA, AND FOR AN ORDER REINSTATING 80-ACRE RED FORK SPACING COVERING SEC. 9; FOR AN ORDER DELETING 640-ACRE MISSISSIPPIAN SPACING COVERING SEC. 4; AND FOR AN ORDER EXTENDING 80-ACRE RED FORK, MISSISSIPPI LIME, MANNING, MISENER AND HUNTON SPACING TO COVER SEC. 4.

REPORT OF THE COMMISSION

This cause came on for hearing before Charles Davis, Acting Trial Examiner for the Corporation Commission of Oklahoma, on the 22nd day of February, 1980, at 9:00 A.M., in the Commission's Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, pursuant to notice given as required by law and the rules of the Commission, for the purpose of taking testimony and reporting to the Commission.

Harry C. Marberry, Attorney, appeared for the Applicant, Major Oil Company; and Harvey Cody, Conservation Attorney, appeared for the Commission.

The Trial Examiner heard the cause and has filed his report recommending that the application be granted, which report and recommendation are hereby adopted and the Commission therefore finds as follows:

FINDINGS

1. That this is the application of Major Oil Company for an order deleting 640-acre Cherokee Sand spacing covering Sections 4 and 9-21N-9W, Major County, Oklahoma, and for an order extending 80-acre Red Fork spac-

ing to cover said sections and for an order deleting 640-acre Mississippian spacing covering Section 4 and for an order extending 80-acre Mississippi Lime, Manning, Misener and Hunton spacing to cover Section 4.

2. That the Commission has jurisdiction over the subject matter herein; that notice has been given in all respects as required by law and the rules of the Commission, and no protests have been entered to the granting of the application. That the Applicant owns an interest in the area to be spaced.

3. That Applicant has drilled a well in the NE/4 SW/4 of Section 4 and said well appears to be productive of oil in the Red Fork formation; that the Corporation Commission has heretofore established 640-acre Cherokee Sand spacing covering Sections 4 and 9-21N-9W, Major County, Oklahoma, by Order No. 36564; an effort has been made to extend 80-acre Red Fork spacing to cover Section 9, but that order may be invalid for the reason that the spacing was 640-acre Cherokee spacing at the time it was entered. From the drilling of said well, it appears that Sections 4 and 9 will be underlain by Red Fork oil rather than Cherokee gas and the Commission is requested to delete 640-acre Cherokee spacing covering said sections and to extend 80-acre Red Fork spacing from an adjacent section to cover said lands.

4. That said well also has encountered the Mississippi Lime formation, which formation is spaced for 640-acre gas spacing by Order No. 49133 in Section 4, but is spaced for 80-acre Mississippi Lime spacing by Order No. 75566, in Section 9. That the drilling of said well shows that the Mississippi Lime formation will be primarily productive of oil underlying Section 4 and the Commission is requested to delete 640-acre Mississippian gas spacing covering Section 4 and to extend 80-acre Mississippi Lime spacing to cover said Section 4.

5. That said well has also encountered the Misener, Manning, Hunton and Red Fork formations and it is the testimony on behalf of Applicant that 80-acre spacing has been established for said formations in an ad-

jacent area by Order No. 75566 and that said formations extend to and cover all or substantially all of Section 4-21N-9W, Major County, Oklahoma; that the above formations wil [sic] be primarily productive of oil and gas and that one well will drain the recoverable hydrocarbons from under an 80-acre unit, and the Commission is requested to extend said order so as to cover said Section 4.

6. That one well will adequately and efficiently drain the recoverable hydrocarbons in said common sources of supply underlying at least 80 acres; and 80-acre drilling and spacing units, taking into account the development costs and the anticipated recoverable reserves, are the minimum-sized units for the economic and efficient development of said common sources of supply.

7. One well in each drilling and spacing (proration) unit established by this Order is necessary to effectively and efficiently drain the portion of the common sources of supply (reservoirs) covered by each such drilling and spacing (proration) unit, there being no existing well within any such drilling and spacing (proration) unit, which can effectively and efficiently drain the portion of such common sources of supply (reservoirs) covered by such drilling and spacing (proration) unit.

8. That in the interest of encouraging development in the area, securing the greatest ultimate recovery from the pool, the prevention of waste, and the protection of correlative rights, this application should be granted.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma, as follows:

1. That Order No. 36564 establishing 640-acre drilling and spacing units for the production of gas and gas condensate from the Cherokee Sand formation is hereby amended to delete therefrom Sections 4 and 9-21N-9W, Major County, Oklahoma.

2. The Order No. 49133 establishing 640-acre drilling and spacing units for the production of gas and gas condensate from the Mississippian formation, is hereby amended to delete therefrom all of Section 4-21N-9W, Major County, Oklahoma.

3. That Order No. 75566 establishing 80-acre drilling and spacing units for the production of oil and gas from the Red Fork formation, is hereby extended to cover Sections 4 and 9-21N-9W, Major County, Oklahoma.

4. That Order No. 75566 establishing 80-acre drilling and spacing units for the production of oil and gas from the Mississippi Lime, Manning, Misener and Hunton formations, is hereby extended to cover Section 4-21N-9W, Major County, Oklahoma.

5. That 80-acre drilling and spacing units shall be established by a line running North and South through the center of each quarter section, with the permitted wells to be located in the Northeast 40 acres and in the Southwest 40 acres at any point no closer than 330 feet from the outside boundary line of said quarter section.

6. The permitted well authorized hereby for each drilling and spacing (proration) unit established by this Order is necessary to effectively and efficiently drain the portion of the common sources of supply (reservoirs) covered by each such drilling and spacing (proration) unit, there being no existing well within the area of extension covered by this Order. This Order shall alter the well spacing rules and requirements previously applicable to the common sources of supply (reservoirs) underlying each drilling and spacing (proration) unit established by this Order by superseding the provisions of O.C.C.-O.G.R. 1-501, General Well Spacing Requirements, to the extent such provisions are inconsistent with this Order.

7. That a map is attached hereto marked Exhibit "A" and made a part hereof showing the outline of the area spaced herein, the size and shape of the drilling units and the location of the permitted well in each unit.

8. That all royalty interests within any spacing unit shall be communitized and each royalty owner within any unit shall participate in the royalty from the well drilled thereon in the relation that the acreage owned by him bears to the total acreage in the unit.

9. That in the event there are divided or undivided interests within any unit and the parties are unable to agree on a plan for the development of the unit, then their rights and equities shall be adjudicated by the Commission as provided for by subsection e, Sec. 87.1, Title 52, 1977 O.S.A.

DONE AND PERFORMED THIS 12 DAY OF MARCH, 1980, BUT EFFECTIVE AS OF THE 22ND DAY OF FEBRUARY, 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
HAMP BAKER
Chairman

/s/ Bill Dawson
BILL DAWSON
Vice-Chairman

/s/ Norma Eagleton
NORMA EAGLETON
Commissioner

ATTEST:

/s/ Berdee S. Holt
Act. Secretary

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

Cause CD No. 65659

Order No. 165957

IN THE MATTER OF THE APPLICATION OF REPUBLIC GAS GATHERING SYSTEMS, INC., FOR AN ORDER AMENDING ORDER NO. 56676, WHICH ESTABLISHED 640-ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF NATURAL GAS AND NATURAL GAS CONDENSATE FROM THE MISSISSIPPI LIME (MERAMEC) COMMON SOURCE OF SUPPLY WITHIN THIS AREA BY DELETING THEREFROM SECTION 15, TOWNSHIP 22 NORTH, RANGE 10 WEST, MAJOR COUNTY, OKLAHOMA, AND FOR AN ORDER EXTENDING ORDER NO. 56660, AS AMENDED AND EXTENDED, WHICH ESTABLISHED 80-ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF OIL AND GAS FROM THE MISSISSIPPI LIME COMMON SOURCE OF SUPPLY WITHIN THIS AREA SO AS TO INCLUDE SECTION 15, TOWNSHIP 22 NORTH, RANGE 10 WEST, MAJOR COUNTY, OKLAHOMA

REPORT OF THE COMMISSION

This cause came on for hearing before Carl Nelson, Trial Examiner for the Corporation Commission of Oklahoma, in the Commission's Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, on the 11th day of January, 1980, at 9:00 a.m., pursuant to notice given as required by law and the rules of the Commission, for the purpose of taking testimony and reporting to the Commission.

John C. Buckingham, attorney, appeared for the applicant, Republic Gas Gathering Systems, Inc.; and Harvey H. Cody, Conservation Attorney, appeared for the Commission.

The Trial Examiner heard the cause and has filed his report recommending that the application be granted,

which report and recommendation are hereby adopted, and the Commission therefore finds as follows:

FINDINGS

1. That this is an application of Republic Gas Gathering Systems, Inc. for an order to amend Order No. 56676, which established 640-acre drilling and spacing units for the production of natural gas and natural gas condensate from the Mississippi Lime (Meramec) common source of supply within this area by deleting therefrom Section 15, Township 22 North, Range 10 West, Major County, Oklahoma, and for an Order extending Order No. 56660, as amended and extended, which established 80-acre drilling and spacing units for the production of oil and gas from the Mississippi Lime common source of supply within this area so as to include Section 15, Township 22 North, Range 10 West, Major County, Oklahoma.

2. That the Commission has jurisdiction over the subject matter herein, that notice has been given in all respects as required by law, and that no protests have been entered to the granting of the application.

3. That heretofore by Order No. 56676 the Corporation Commission has established 640-acre drilling and spacing units for the production of natural gas and natural gas condensate from the Mississippi Lime (Meramec) common source of supply within this area and said Section 15-22N-10W, Major County, Oklahoma, is one of such drilling and spacing units.

4. That heretofore the Corporation Commission of Oklahoma has established 80-acre drilling and spacing units by Order No. 56660 for the production of oil and gas from the Mississippi Lime common source of supply underlying among other lands Section 10, Township 22 North, Range 10 West, Major County, Oklahoma, adjacent and contiguous to said Section 15-22N-10W on the North.

5. That the applicant has drilled a well in the SW/4 of the SW/4 of Section 15-22N-10W and that said well

has been completed as an oil well from the Mississippi Lime formation; that it is the applicant's testimony that by drilling said well a change in conditions and/or knowledge of conditions of the Mississippi Lime reservoir as encountered within Section 15 has resulted and that it is the geological and engineering interpretation of said formation that the Mississippi Lime as encountered within Section 15 is an oil reservoir and is in fact an extension of the Mississippi Lime oil reservoir as spaced by Order No. 56660.

6. That it is the geological and engineering evidence of the applicant that said Order No. 56676 which established 640-acre drilling and spacing units for the production of natural gas and natural gas condensate from the Mississippi Lime (Meramec) common source of supply within this area and said Section 15-22N-10W, Major County, Oklahoma and that by Order No. 56660 which established 80-acre drilling and spacing units for the production of oil and gas from the Mississippi Lime common source of supply underlying among other lands Section 10-22N-10W, Major County, Oklahoma, adjacent and contiguous to said Section 15-22N-10W on the North should be extended so as to include said Section 15-22N-10W, Major County, Oklahoma.

7. The applicant has requested that said Order become effective as of January 11, 1980.

8. That in the interest of securing the greatest ultimate recovery of petroleum hydrocarbons from said reservoirs, the prevention of waste and the protection of correlative rights, this application should be granted.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma, as follows:

1. That Order No. 56676 which established 640-acre drilling and spacing units for the production of natural gas and natural gas condensate from the Mississippi Lime

(Meramec) common source of supply within this area and said Section 15-22N-10W, Major County, Oklahoma, be and the same is hereby amended by deleting therefrom Section 15-22N-10W, Major County, Oklahoma.

2. That Order No. 56660 which established 80-acre drilling and spacing units for the production of oil and gas from the Mississippi Lime common source of supply underlying among other lands Section 10-22N-10W, Major County, Oklahoma, adjacent and contiguous to said Section 15-22N-10W, on the North, as amended and extended be and the same is hereby further extended so as to include Section 15-22N-10W, Major County, Oklahoma.

3. That said 80-acre drilling and spacing units shall be formed by dividing each governmental quarter section into two (2) rectangular units by a line running North and South through the center thereof and that the permitted lines shall be located not closer than 330 feet from the boundary line of the NE/40-acres and the SW/40-acres of each governmental quarter section.

4. That a map be attached hereto, marked Exhibit "A", and made a part hereof showing the outline of the area spaced herein, the size and shape of the drilling units, and the location of the permitted well within each unit.

5. That all royalty interests within any spacing unit shall be communitized and each royalty owner within any unit shall participate in the royalty from the well drilled thereon in the relation that the acreage owned by him bears to the total acreage in the unit.

6. That in the event there are divided or undivided interests within any unit and the parties are unable to agree on a plan for the development of the unit, then their rights and equities shall be adjudicated by the Commission as provided for by subsection d, Section 87.1, Title 52, 1971 O.S.A.

7. That this Order be and the same is hereby made effective as of 11th day of January, 1980.

DONE AND PERFORMED this 18 day of March, 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
Chairman

/s/ Bill Dawson
Vice Chairman

/s/ Norma Eagleton
Commissioner

ATTEST:

/s/ Berdee S. Holt
Act. Secretary

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

CD No. 54411

Order No. 166388

APPLICANTS: Ervan V. Groene and
Charlie L. Sholtes

IN THE MATTER OF DELETING SECTION 31, TOWNSHIP 20 NORTH, RANGE 13, W.I.M., MAJOR AND BLAINE COUNTIES, OKLAHOMA, FROM THE PROVISIONS OF ORDER NO. 87492 CREATING DRILLING AND SPACING UNITS FOR THE PRODUCTION OF GAS AND GAS CONDENSATE FROM THE MISSISSIPPIAN FORMATION, AND TO CREATE 80-ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF OIL FROM THE MISSISSIPPIAN FORMATION UNDERLYING SECTION 31, TOWNSHIP 20 NORTH, RANGE 13, W.I.M., MAJOR AND BLAINE COUNTIES, OKLAHOMA.

REPORT OF THE COMMISSION

This cause came on for hearing before Harry E. Brown, Jr., Acting Trial Examiner for the Corporation

Commission of the State of Oklahoma, on the 7th day of March, 1980, for the purpose of further hearing, taking additional testimony, and reporting further findings and recommendations to the Commission.

Tom Hieronymus, Attorney appeared for the Applicants; John Robertson, Jr. appeared for Ran Ricks, Jr. and Ricks Exploration Company; and Harvey H. Cody, Conservation Attorney, appeared for the Commission.

This cause was heard by Charles C. Chastain, Acting Trial Examiner, on October 20, 1978, and his report was filed recommending further tests be conducted on the well and that a further hearing be held one year from October 20, 1978, for final recommendations, which said hearing was continued from time to time until March 7, 1980; and Harry E. Brown, Jr., Acting Trial Examiner, upon further hearing of the cause, filed his final report recommending that the application be granted, which report and recommendations are hereby adopted, and the Commission, therefore, finds as follows:

FINDINGS

1. All findings contained in Order No. 150970 of Cause CD No. 54411 are hereby adopted and considered a part of these findings.

2. At this hearing it was established that the formation that is producing is the Mississippi Solid (Mississippi Lime), that being the formation that was spaced in Order No. 87492, and the Application was amended by substituting Mississippi Solid (Mississippi Lime) for Mississippian.

3. The reports of Ran Ricks, Jr. and Ricks Exploration Company and production records for November and December, 1979, disclose that the production is predominantly oil; that it is a combination reservoir; that the oil portion of the reservoir underlies said Section 31 and is a separate common source of supply productive of oil from the Mississippi Solid formation.

4. That Section 31-20N-13W, Major County, Oklahoma, should be deleted from Order No. 87492 creating 640-acre units for the production of gas and gas condensate from the Mississippi Solid (Mississippi Lime) Common Source of Supply and that said order be amended by establishing 80-acre drilling and spacing units for the production of oil from the Mississippi Solid Common Source of Supply under Section 31-20N-13W, Major and Blaine Counties, Oklahoma.

5. That in the interest of securing the greatest ultimate recovery from the pool, the prevention of waste and the protection of correlative rights, this Application should be granted.

ORDER

IT IS, THEREFORE, ORDERED by the Corporation Commission of the State of Oklahoma, as follows:

1. That Order No. 87492, which established Section Thirty-one (31), Township Twenty (20) North, Range Thirteen (13), W.I.M., Major County, Oklahoma, as a 640-acre drilling and spacing unit for the production of gas and gas condensate from the Mississippi Solid (Mississippi Lime) formation, is amended by forming 80-acre drilling and spacing units for the production of oil and gas from the Mississippi Solid formation underlying Section 31-20N-13W, Major County, Oklahoma.

2. That 80-acre drilling and spacing units are formed by an east and west line through the centers of the governmental quarter sections and the permitted well shall be located in the Northeast and the Southwest 40 acres of the governmental quarter sections at a point therein not closer than 330 feet of the boundary of the governmental quarter section.

3. That the well now located in the SE/4 of said Section 31 is designated as the unit well for the unit which comprises the N/2 NE/4 of Section 31, Township 20 North, Range 13, W.I.M., Major and Blaine Counties, Oklahoma, and an exception to this Order is made for said well.

4. Attached hereto, marked Exhibit A and made a part hereof, is a map which shows the location and boundaries of the 80-acre drilling and spacing units and the location of the permitted well in each of said units.

5. All royalty interests within any drilling and spacing unit shall be communitized and each royalty owner within any such drilling and spacing unit shall participate in 1/8th of all production from any well drilled thereon in the proportion that the acreage owned by any such royalty owner within such drilling and spacing unit bears to the entire acreage in such drilling and spacing unit.

6. In the event there are divided or undivided interests within any drilling and spacing units and the parties are unable to agree on a plan for the development of the drilling and spacing unit, then their rights and equities shall be adjudicated by the Commission as provided for by Title 52, O.S.A. Section 87.1.

DONE AND PERFORMED THIS 25 day of March, 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
HAMP BAKER
Chairman

/s/ Bill Dawson
BILL DAWSON
Vice Chairman

/s/ Norma Eagleton
NORMA EAGLETON
Member

ATTEST:

/s/ Berdee S. Holt
Act. Secretary

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

Cause CD No. 76472

Order No. 187298

IN THE MATTER OF THE APPLICATION OF MACK OIL CO. FOR AN ORDER AMENDING ORDER NO. 161457 WHICH ESTABLISHED 640 ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF GAS AND GAS CONDENSATE FROM THE MISSISSIPPI LIME COMMON SOURCE OF SUPPLY BY DELETING SECTION 23, TOWNSHIP 22 NORTH, RANGE 3 WEST, GARFIELD COUNTY, OKLAHOMA FROM THE PURVIEW THEREOF, AND FOR AN ORDER ESTABLISHING 80 ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF OIL AND GAS FROM THE MISSISSIPPI LIME COMMON SOURCE OF SUPPLY UNDERLYING SECTION 23, TOWNSHIP 22 NORTH, RANGE 3 WEST, GARFIELD COUNTY, OKLAHOMA.

REPORT OF COMMISSION

This cause came on for hearing before Mr. Bob Goldfield, Trial Examiner for the Corporation Commission of Oklahoma, on the 17th day of March, 1981 at 9:00 o'clock a.m. in the Commissioner's Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, pursuant to notice given, as required by law and the rules of the Commission, for the purpose of taking testimony and reporting to the Commission, the same having been continued from March 11, 1981.

Henry C. Bonney, attorney, appeared for the applicant, MACK OIL CO., Mr. H. A. Linn appeared for Fred Pfeiffer, Mr. Loren W. Wehrenberg appeared pro se, and Alice Mitchell, Conservation Attorney, appeared for the Commission.

The Trial Examiner heard the cause and has filed his report recommending that the application be granted, which report and recommendation are hereby adopted and the Commisison, therefore, finds as follows:

FINDINGS

1. That this is the application of MACK OIL CO. for an order amending Order No. 161457 which established 640 acres drilling and spacing units for the production of gas and gas condensate from the Mississippi Lime common source of supply by deleting from the purview thereof all of Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma, and for an order establishing 80 acre drilling and spacing units for the production of oil and gas from the Mississippi Lime common source of supply underlying Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma.

2. That the Commission has jurisdiction over the subject matter herein; and that notice has been given, in all respects, as required by law and the rules of the Commission, and no protests have been entered to the granting of the application.

3. That the applicant is the owner and operator of oil and gas leases covering portions of Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma; that by Order No. 161457 effective as of October 23, 1979, this Commission established a 640 acre drilling and spacing unit for the production of gas and gas condensate from the Mississippi Lime common source of supply, among other common sources of supply, underlying said property; that subsequent to said order, the applicant drilled the No. 1 Wehrenberg well located in the NW/4 SW/4 NE/4 of Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma; that said well was completed as an oil well on June 15, 1980 and is presently producing approximately five barrels of oil from the Mississippi Lime formation which was perforated at a depth of 5,053 feet to 5,310 feet; that at the time the original order was entered, the spacing was done on the basis of a prospective common source of supply; that there has been a substantial change in knowledge of the condition existing in the area since the date of the original spacing which has resulted in a re-evaluation of geo-

logical opinions concerning the Mississippi Lime common source of supply; and that as a result thereof, all of Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma should be deleted from the purview of Order No. 161457 which created a 640 acre drilling and spacing unit for the production of gas and gas condensate from the Mississippi Lime common source of supply.

4. That it is further the testimony that Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma is underlain by the Mississippi Lime common source of supply which was encountered at the depth of 5,053 feet to 5,310 feet; that said common source of supply will be primarily productive of oil and that one well will adequately produce all economically recoverable oil and gas from the Mississippi Lime common scource of supply underlying the surface area of 80 acres; that the drilling and spacing units to be established for the Mississippi Lime common source of supply should be formed by dividing each of the above described governmental quarter sections into two units by a line running north and south through the center thereof with the permitted well to be located not less than 330 feet from the unit boundary of the NE 40 acre tract and the SW 40 acre tract. It was further the testimony that the effective date of this order should be March 17, 1981.

5. That it was further the testimony that the MACK OIL CO. No. 1 Wehrenberg well is necessary to effectively and efficiently drain the 80 acre drilling and spacing unit consisting of the W/2 NE/4 of Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma insofar as the Mississippi Lime common source of supply is concerned; and that said unit cannot be effectively and efficiently drained by any existing well within such proration unit; that there are no other existing wells producing from the Mississippi Lime common source of supply underlying the area being spaced and that the authorized wells for the remaining 80 acre drilling and spacing units are necessary to effectively and

efficiently drain said 80 acre units created for the Mississippi Lime common source of supply and that said units cannot be effectively and efficiently drained by any other existing wells within such proration units.

6. That in the interest of securing the greatest ultimate recovery of oil and gas from the pool, the prevention of waste and the protection of correlative rights, this application should be granted.

ORDER

IT IS, THEREFORE, ORDERED BY THE CORPORATION COMMISSION OF OKLAHOMA, as follows:

1. That Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma be and the same is hereby deleted from the purview of Order No. 161457 which established 640 acre drilling and spacing units for the production of gas and gas condensate from the Mississippi Lime common source of supply; and that said 640 acre drilling and spacing units for the Mississippi Lime common source of supply underlying said property is hereby cancelled as of the 17th day of March, 1981.

2. That 80 acre drilling and spacing units be and the same are hereby established for the production of oil and gas from the Mississippi Lime common source of supply underlying the following described property, to-wit:

> Section 23, Township 22 North, Range 3 West, Garfield County, Oklahoma;

That the drilling and spacing units established for the Mississippi Lime common source of supply should be formed by dividing each of the above described governmental quarter sections into two units by a line running north and south through the center thereof with the permitted well to be located not less than 330 feet from the unit boundary of the NE 40 acre tract and the SW 40 acre tract.

3. That a map be attached hereto, marked Exhibit "A" and made a part hereof, showing the outline of the

area spaced herein, the size and shape of the drilling units, and the location of the permitted well in each unit.

4. That all royalty interests within any spacing unit shall be communitized and each royalty owner within said unit shall participate in the royalty from the well drilled thereon in the relation that the acreage owned by him bears to the total acreage in the unit.

5. That in the event there are divided or undivided interests within any unit and the parties are unable to agree on a plan for the development of the unit, then their rights and equities shall be adjudicated by the Commission, as provided by Subsection e, Section 87.1, Title 52, 1980 O.S.A.

6. That the MACK OIL CO. No. 1 Wehrenberg well is necessary and was necessary when said well was initially drilled to effectively and efficiently drain said 80 acre drilling and spacing unit insofar as the Mississippi Lime common source of supply is concerned; and that said unit cannot be effectively and efficiently drained by any other existing well or wells within such proration unit; that the permitted wells authorized for the remaining 80 acre drilling and spacing units established herein are necessary to effectively and efficiently drain said 80 acre drilling and spacing units insofar as the Mississippi Lime common source of supply is concerned; and that said units cannot be effectively and efficiently drained by any other existing well or wells within such proration unit or units.

7. That the effective date of this order shall be March 17, 1981.

DONE AND PERFORMED this 1 day of April, 1981.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
HAMP BAKER
Chairman

/s/ Bill Dawson
BILL DAWSON
Vice Chairman

/s/ Norma Eagleton
NORMA EAGLETON
Commissioner

ATTEST:

/s/ Berdee S. Holt
BERDEE S. HOLT
Secretary

[Graph Omitted in Printing]

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

Cause CD No. 66971

Order No. 172430

APPLICANT: *SUNDANCE ENERGY CORPORATION*

IN THE MATTER OF ESTABLISHING PROPER DRILLING AND SPACING UNITS FOR THE: *MISSISSIPPI LIME* BY VACATING ORDER NO. 53379 AS LAST AMENDED BY ORDER NO. 161044 (SO. 3488—640-ACRE GAS) AS TO THE MISSISSIPPI LIME UNDERLYING SECTION 7 AND BY THEN ESTABLISHING 160-ACRE PREDOMINANTLY GAS UNITS FOR THE MISSISSIPPI LIME UNDERLYING SECTION 7; FOR THE *HUNTON* BY VACATING ORDER NO. 62310 AS LAST AMENDED BY ORDER NO. 156704 (SO. 4719—640-ACRE GAS) AS TO THE HUNTON UNDERLYING SECTION 7 AND BY THEN AMENDING ORDER NO. 60088 AS AMENDED BY ORDER NO. 155433 TO INCLUDE SECTION 7 AS 160-ACRE PREDOMINANTLY GAS UNITS FOR THE HUNTON UNDERLYING SECTION 7, ALL IN T23N, R8W, GARFIELD COUNTY, OKLAHOMA.

REPORT OF THE COMMISSION

This Cause came on for hearing before Charles Helm, Acting Trial Examiner for the Corporation Commission

of Oklahoma, on the 2nd day of April, 1980, at 9:00 a.m., Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony, and reporting findings and recommendations to the Commission.

Barth P. Walker, Attorney, appeared for the Applicant, Sundance Energy Corporation; and Harvey Cody, Conservation Attorney, appeared for the Commission.

The Trial Examiner heard the Cause and filed a report with the Commission, which report has been considered and the Commission therefore finds as follows:

FINDINGS

1. That this is an Application of Sundance Energy Corporation for an Order establishing proper drilling and spacing units for the Mississippi Lime and vacating Order No. 53379 as last amended by Order No. 161044 (640-acre Gas) as to the Mississippi Lime underlying Section 7 and by then establishing 160-acre predominantly gas units for the Mississippi Lime underlying Section 7; for the Hunton by vacating Order No. 62310 as last amended by Order No. 156704 (640-acre gas) as to the Hunton underlying Section 7 and by then amending Order No. 60088 as amended by Order No. 155433 to include Section 7 as 160-acre predominantly gas units for the Hunton underlying Section 7, all in T23N, R8W, Garfield County, Oklahoma; That 80-acre drilling and spacing units have been established for the Hunton in Section 13, T23N, R9W, which is Southwest of Section 7 and Section 7 is the same Hunton common source of supply as Section 13; that a well has been drilled in the SW/4 NE/4 of Section 7, which had an initial calculated open flow of 17,700 MCFD but produced cumulatively after October, 1969, of only 521,000 MCF of gas and 2,614 barrels of oil, conclusively showing that said well did not effectively and efficiently drain all of said Section 7 in the Mississippi Lime; that the well in the SW/4 of Section 6 has produced 2,646 MMCF of gas and about 20,000 barrels of oil from both the Hunton

and the Mississippi; that the well in the SW/4 of Section 1 has produced 1,099 MMCF of gas and 18,216 barrels of oil; that the well in the SW/4 of Section 12 has produced 2,211 MMCF of gas and 18,768 barrels of oil from the Mississippi.

That the regional dip of the Mississippi is generally to the South with a slight nosing evident through the W/2 of Section 31, Township 24 North, Range 8 West; that structure has little to do with the quality of the Mississippi, the prime condition necessary for production being the fracture system therein; that 640-acre drilling and spacing units were established for the Mississippi on the predicate that one well will adequately and effectively drain 640 acres; that the production of wells in the area clearly demonstrated that such is not the case, and that one well is incapable of draining the full 640 acres, and such constitutes a change of knowledge of conditions justifying the drilling of additional wells; that correlative rights can best be protected with the requirement that additional wells be drilled by forming Section 7 into 80-acre drilling and spacing units; that it appears that the predominant hydrocarbons to be produced from said Section 7 in the Mississippi, will probably be oil and the permeability of the Mississippi and because of the fracture system, unless wells are drilled to a density of at least one well to 80-acres in said Section 7, substantial quantities of economically recoverable oil and gas will be left in the ground; that because of the characteristics of the production in the area, an Order should be issued reforming the drilling and spacing units in Section 7 into 80-acre predominantly oil units, and this Application should be granted on this basis.

2. That the Commission has jurisdiction over the subject matter herein; that notice has been given in all respects as required by law and by the rules of the Commission; that Applicant is an owner of an interest in the area covered by the Application.

3. That each drilling and spacing unit established hereby should be the proration unit for the well authorized to be drilled thereon; that the actual or prospective common sources of supply, named below, are expected to be encountered at the depths shown and same should be classified with drilling and spacing units and well locations established as follows:

Common Source of Supply	Classification	Unit Size (acres)	Well Location
Mississippi Lime	Predominantly Oil	80	Not closer than 330' to the boundary of the NE/4 and SW/4 of each quarter section.
Hunton	Predominantly Oil	80	

4. That, from the evidence, it appears that the common sources of supply named in paragraph 3, above, will underlie the lands respectively as described in paragraph 1, above; that one well is authorized to be drilled on each drilling and spacing unit; that the one well authorized for each such drilling and spacing unit is necessary to effectively and efficiently drain the portion of the reservoir underlying the drilling and spacing unit upon which the one well is situated and no portion of the reservoir can be or will be effectively and efficiently drained by an existing well within the drilling and spacing unit; that the size of the drilling and spacing units set out in said paragraph 3 is that which is necessary, in order to effectively and efficiently drain the portion of the reservoir covered thereby, and which should be established for the common sources of supply named in said paragraph 3; that each common source of supply named below is a natural accumulation of natural gas, oil or both, as classified in "Order" below, which is confined by impermeable rock and characterized by a single natural pressure system.

5. That, to prevent, or assist in preventing, the various types of waste prohibited by statute, or any said wastes, or to protect or assist in protecting the correla-

tive rights of interested parties, it is required that the Commission establish drilling and spacing units and well locations as set out under "Order" below.

ORDER

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. That each drilling and spacing unit established hereby shall be the proration unit for the one well authorized to be drilled and produced thereon; that drilling and spacing units be and the same are hereby established as follows:

Common Sources of Supply	Classification	Drilling and Spacing Unit Size
Mississippi Lime	Predominantly Oil	80 acres

by amending Order No. 53379 as last amended by Order No. 161044 (640-acre gas) as to the Mississippi Lime underlying Section 7 and by reforming said Section into 80-acre predominantly oil units for the Mississippi Lime underlying Section 7; for the

Hunton	Predominantly Oil	80 acres

by vacating Order No. 62310 as last amended by Order No. 156704 (640-acre gas) as to the Hunton underlying Section 7 and by then amending Order No. 60088 as amended by Order No. 155433 to include Section 7 as 80-acre predominantly oil units for the Hunton underlying Section 7, all in T23N, R8W, Garfield County, Oklahoma.

2. That drilling and spacing units shall be the E/2 and W/2 of each quarter governmental section.

3. That each well hereafter drilled to said common sources of supply on each drilling and spacing unit established hereby must be drilled not closer than 330 feet to the boundary of the NE/4 and SW/4 of each quarter section.

4. That all royalty interests within each drilling and spacing unit are pooled and unitized and each royalty

owner shall share in the one-eighth (1/8) of all production from any well thereon in the proportion that the acreage owned by each such royalty owner bears to the entire acreage in the drilling and spacing unit.

5. That when there are two (2) or more separately owned tracts or undivided interests separately owned within any drilling and spacing unit established hereby, the owners thereof may validly pool their interests and develop the drilling and spacing unit as a unit; that where, however, such owners have not agreed to so pool their interests and to develop the drilling and spacing unit as a unit, their rights and equities shall be pooled and adjudicated as provided in subsection e, Section 87.1, Title 52, O.S.

6. That no more than one (1) well shall hereafter be produced from the common sources of supply named above on any drilling and spacing unit established hereby and the permitted well on any drilling and spacing unit established hereby shall be drilled only at the location thereon as prescribed above, unless the Commission, prior to the drilling of said well, shall have authorized a well location exception therefor in accordance with Section 87.1, Title 52, O.S.

7. That attached, and a part hereof as Exhibit "A", is a plat of the drilling and spacing units established by this Order and the permitted well therefor.

8. That this Order shall be effective as of the 2nd day of April, 1980.

DONE AND PERFORMED this 14 day of July, 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
Chairman

/s/ Bill Dawson
Vice Chairman

/s/ Norma Eagleton
Commissioner

ATTEST:

/s/ Berdee S. Holt
Secretary

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

Cause CD No. 73540

Order No. 181773

IN THE MATTER OF THE APPLICATION OF THE STATE OF OKLAHOMA EX REL COMMISSIONERS OF THE LAND OFFICE FOR AN ORDER TO MODIFY ORDER NO. 127152 SO THAT 80 ACRE DRILLING AND SPACING UNITS ARE ESTABLISHED FOR THE PRODUCTION OF OIL FROM THE CHESTER COMMON SOURCE OF SUPPLY AND THE MISSISSIPPI LIME COMMON SOURCE OF SUPPLY UNDERLYING SECTION 22, TOWNSHIP 24 NORTH, RANGE 17 WIM, WOODWARD COUNTY, OKLAHOMA.

REPORT OF THE COMMISSIONERS

Cause CD 73540 came on for hearing before Charles Nease, Trial Examiner for the Corporation Commission, on the 19th day of December, 1980, in the Commission's Courtroom, Jime Thorpe Building, Oklahoma City, Oklahoma, pursuant to notice given as required by law and the rules of the Commission, for the purpose of taking testimony and reporting to the Commission.

At the time of the hearing, Mr. Paul DeGraffenreid, Attorney, appeared for the applicant, the State of Oklahoma ex rel Commissioners of the Land Office and Mr. Forest George, a royalty owner, appeared on his own behalf, and Ms. Alice Mitchell, Conservation Attorney, appeared for the Commission.

The Trial Examiner proceeded to hear this cause, and file his report recommending the application be granted, which report and recommendation are hereby adopted and the Commission therefore finds as follows:

FINDINGS

1. That this is an application of the State of Oklahoma ex rel Commissioners of the Land Office for an order modifying Corporation Order No. 127152, which established 640 acre drilling and spacing units for the production of gas and gas condensates from the Chester Common Source of Supply and the Mississippi Lime Source of Supply underlying Section 22, Township 24 North, Range 17 West, I.M., Woodward County, Oklahoma, to establish 80 acre drilling and spacing units for the production of oil from the Chester and Mississippi Lime formations underlying Section 22, Township 24 North, Range 17 West I.M., Woodward County, Oklahoma.

2. That the Commission has jurisdiction over the subject matter herein; that notice has been given in all respects as required by law and no protests have been entered to the granting of the application.

3. That the applicants are owners of oil and gas interests in the area described in paragraph 1 above.

4. That subsequent to the issuance of Order No. 127152, a well was drilled in the W/2 of the NE/4 of Section 22, Township 24 North, Range 17 West I.M., Woodward County, Oklahoma and said well is dually completed so that it is producing oil from both the Chester Formations and the Mississippi lime formations underlying said Section 22. The Chester formation was encountered at a depth of 6,532 feet to 6,665 feet. The Mississippi lime formation (Meramec) was encountered at the depth of 6,779 feet to 6,888. The well is dually completed and is productive of oil from both formations. There have been no gas sales from this well over the past twleve month period.

5. That a change of knowledge of conditions has occured as a result of the drilling of a well in Section 22, Township 24 North, Range 17 West I.M., Woodward County, Oklahoma and therefore Corporation Commission Order No. 127152 should be modified to the extent that the Chester common source of supply and the Mississippi common source of supply are now known to be combination oil and gas formations underlying the area which was spaced by Order No. 127152 and the Commission finds that Section 22, Township 24 North, Range 17 West I.M., Woodward County, Oklahoma, are primarily productive of oil from those formations and that 80 acre drilling and spacing units should be established for the production of oil from the Chester and Mississippi lime formations underlying said Section 22.

6. That in the interest of securing the greatest ultimate recovery of oil and associated hydrocarbons from the pool, the prevention of waste and the protection of correlative rights, this application should be granted, in accordance with these findings.

ORDER

IT IS HEREBY ORDERED by the Corporation Commission of the State of Oklahoma, as follows:

1. That Corporation Commission Order No. 127152, which established 640 acre drilling and spacing units for the Chester common source of supply and the Mississippi lime common source of supply underlying Section 22, Township 24 North, Range 17 West I.M., Woodward County, Oklahoma, is by this Order modified and that drilling and spacing units of approximately 80 acres in size are hereby established for the production of oil and associated hydrocarbons from the Chester common source of supply and the Mississippi lime common source of supply underlying said Section 22, Township 24 North, Range 17 West I.M., Woodward County, Oklahoma.

2. That said unit shall be formed by dividing each governmental quarter section covered by this application by a line running North and South through the center thereof creating a unit of the E/2 and W/2 of each quarter section, with the permitted wells to be located in the Southwest 40 acres and the Northeast 40 acres of each governmental quarter section, no closer than 330 feet to the outside boundary of such 40 acre tract, except that State of Oklahoma Well No. 1-22, which is located approximately 1320 feet North of the South line and 1220 feet East of the West line, shall be the permitted well for the West Half of the Northeast quarter of said Section.

3. That a map attached hereto, marked Exhibit "A", and made a part hereof, shows the outline of the area spaced herein, and size and shape of the drilling unit and the location of the permitted well in each unit.

4. That all royalty interests within any spacing unit shall be communitized and each royalty owner within the unit shall participate in the royalty from the well drilled thereon in the relation that the acreage owned by him bears to the total acreage in the unit.

5. That in the event there are divided or undivided interests within any unit and the parties are unable to agree on a plan for the development of the unit, then their rights and equities shall be adjudicated by the Commission as provided for by Title 52 O.S. 1971, § 81.1(d).

DONE AND PERFORMED THIS 31 day of Dec., 1980.

CORPORATION COMMISSION OF OKLAHOMA

/s/ Hamp Baker
HAMP BAKER
Chairman

/s/ Bill Dawson
BILL DAWSON
Vice Chairman

NORMA EAGLETON
Commissioner

ATTEST:

/s/ Lisa Burkeen
Acting Secretary

[Graph Omitted in Printing]